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Stock markets

Is Japan's decline really over?

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Raising a child

Jurek Martin on Hillary Clinton

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Robots in the US

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Waging war on poverty

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World Business Newspaper

THURSDAY JANUARY 18 1996

AEG to be broken up and merged with Daimler-Benz

AEG, one of Germany's oldest industrial companies, is to be dismantled. The electronics group is to be merged into Daimler-Benz, Germany's largest company and AEG's majority shareholder. AEG's supervisory board sealed the fate of the group, whose inventions have included the first high-speed electric railway locomotive and the Pal colour television system. AEG's break-up will lead to a new corporate structure at Daimler-Benz, increasing its operating divisions from four to seven. Page 19; Lex, Page 18

US tax reform report urges change

The US should tax income at a single low rate as part of a radical overhaul of tax policy designed to stimulate economic growth, a commission headed by leading Republican strategist Jack Kemp said. The tax reform report, commissioned by Robert Dole (left), the Senate majority leader and front-runner for the Republican nomination, and House speaker Newt Gingrich, follows months of public hearings and will fuel an intense debate on tax policy among Republican presidential candidates. Page 18; Radical overhaul sought, Page 6

Fed vice-chairman quits: Alan Blinder is resigning as vice-chairman of the Federal Reserve board when his term expires at the end of this month, to return to teaching at Princeton University. Page 6

Groups link for German telecoms: Mannesmann and Veba, two of Germany's biggest companies, are to join forces in the battle to compete with Deutsche Telekom in the world's third largest telecoms market. Page 19

Wallenberg flagship may seek US listing: Investor, the flagship holding company of Sweden's Wallenberg industrial empire, is considering seeking a stock exchange listing in the US as part of its attempt to reduce the big discount suffered by its shares because of its diversified investment portfolio. Page 20

Swiss and US lead Russian investment: Swiss and US companies are now the leading investors in Russia, accounting for half of foreign direct investment, according to the United Nations Economic Commission for Europe. Page 5

Pasok to choose new Greek premier: Deputies from Greece's governing Panhellenic Socialist Movement (Pasok) will elect a new prime minister today to succeed Andreas Papandreou, who resigned earlier this week because of ill-health. Page 2

IBM faces $249m bribes probes: International Business Machines of the US is the subject of separate probes by the US Securities and Exchange Commission and the Federal Bureau of Investigation into allegations that its Argentine subsidiary paid bribes to win a $249m contract. Page 6

Iraq to open oil sale talks with UN: Iraq has agreed to open talks with the United Nations on the possible sale of up to $2bn-worth of oil, but officials in New York appear sceptical about Baghdad's real intentions. Page 4

Giat tumbles to record loss: Giat Industries France, the tank and munitions maker, announced one of the worst results ever recorded by a French state company. Page 20

Nokia to axe 600 jobs: Nokia, the Finnish telecommunications group, moved to tackle problems in its troubled consumer electronics division by announcing plans to cut 600 jobs. Page 20

EBRD backs Warsaw development: The European Bank for Reconstruction and Development and Generale Bank of Belgium are providing $20m to develop a Warsaw office block to help alleviate the acute shortage of commercial space in the Polish capital. Page 5; Poland's political crisis deepens, Page 2

Britain eyes Cuban deals: The Commonwealth Development Corporation, the British government's development finance institution, plans to open an office in Cuba and is identifying investment opportunities. Page 5

'The Scream' thieves jailed: Four men have been jailed by an Oslo court for stealing Edvard Munch's "The Scream", Norway's most famous painting, in 1994. The masterpiece was recovered after three months virtually undamaged.

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,078.10	(-10.12)
NASDAQ Composite	1,004.60	(+8.73)
Europe and Far East		
CAC40	1,986.0	(+13.80)
DAX	2,371.30	(-5.57)
FT-SE 100	3,704.2	(-6.4)
Nikkei	20,570.26	(+3 19)

■ US LUNCHTIME RATES

Federal Funds	$6\frac{1}{8}$%
3-mth Treas Bills: Yld	5.128%
Long Bond	111$\frac{1}{32}$
Yield	6.021%

■ OTHER RATES

UK: 3-mo Interbank	$6\frac{1}{32}$%	(same)
UK: 10 yr Gilt	108$\frac{5}{32}$	(108$\frac{1}{4}$)
France: 10 yr OAT	110.13	(110.03)
Germany: 10 yr Bund	101.06	(101.33)
Japan: 10 yr JGB	111.684	(111.149)

■ NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$16.885	(17.19)

■ GOLD

New York: Comex		
Feb	$400.0	(398.8)
London:		
close	$398.25	(397.3)

■ DOLLAR

New York lunchtime		
£	1.5215	
DM	1.4685	
FFr	5.009	
SFr	1.1855	
Y	105.50	
London:		
£	1.5305	(1.5386)
DM	1.4646	(1.4576)
FFr	5.0049	(4.9833)
SFr	1.1815	(1.1741)
Y	105.485	(105.685)

■ STERLING

DM	2.2415	(2.2425)
Tokyo close:	Y 106.13	

Austria	Sch37	Greece	Dr400	Malta	Lm0.65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR12
Belgium	BFr75	Hungary	Ft230	Neth	Fl 4.75	Singapore	S$4.30
Bulgaria	Lw120.00	Iceland	IKr230	Nigeria	Naira90	Slovak Rp	Sk65
Cyprus	C£1.20	India	Rs75	Norway	NKr20.00	S. Africa	R12.00
Czech Rp	Kc60	Israel	Shk7.80	Oman	OR1.50	Spain	Pta250
Denmark	DKr18	Italy	L3200	Pakistan	Rs40	Sweden	SKr20
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.70
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Syria	S£65.00
Finland	FM15.50	Kuwait	Fils650	Portugal (m'land)	Es240	Tunisia	Din1.750
France	FFr11.50	Lebanon	US$1.50			Turkey	L70,000
Germany	DM4.00	Lux	LFr75			UAE	Dh12.00

Russia steps up Chechen assault

Turkey berated for soft stance on hijackers as hardline tactics come under fire from west

By John Barham in Ankara and Chrystia Freeland in Moscow

The Russian government yesterday launched an all-out attack on Chechen rebels in southern Russia and berated Turkey for its lenient attitude towards pro-Chechen hijackers in the Black Sea.

But the Kremlin's hardline tactics in Chechnya also came under fire from the Russian parliament, which passed a resolution condemning the government's policies, while western leaders expressed growing concern about the escalating conflict.

Moscow's tougher response came as the leader of Chechen sympathisers holding 209 hostages on a Black Sea ferry said last night he would begin releasing some of his prisoners.

The ferry was seized by at least six gunmen on Tuesday as it was about to leave the Turkish port of Trabzon for Sochi on the Russian Black Sea. Russian officials accused Ankara of precipitating the crisis by disregarding warnings about the activities of Chechen sympathisers in Turkey. Russia's Foreign Intelligence Service said Turkey had "light-heartedly" ignored Moscow's cautions.

But the hijackers say their quarrel is with Russia's attack on Chechen separatists, not with Turkey, and the gunmen promised to release the ferry's 46 Turkish passengers.

There are an additional 118 Russian passengers and 45 crew on the ferry Avrasya, which continued yesterday to make slow progress along Turkey's northern coast towards Istanbul.

Although Mr Mohammed Topcam, the hijackers' leader, is a Turkish citizen he is an ethnic Abkhazian. The Abkhazians are a north Caucasus mountain people with close historic links to the Chechens.

Chechen 'Pandora's Box' ......Page 3
Lex ......Page 18

Mr Topcam said the ferry would be blown up with all its Russian passengers aboard when it reached the Bosporus straits unless Moscow halted its attack on the Chechen fighters who are holding dozens of hostages in the southern Caucasus village of Pervomaiskoye.

But the Kremlin showed no sign of stopping the fierce assault against Pervomaiskoye, which began yesterday morning after two days of sporadic fighting.

In an attack which military analysts said was likely to level the village, Russian forces pummelled the settlement with multiple rocket launchers.

By nightfall yesterday, Chechen fighters were reported to be still resisting the Russian attack.

Russian forces, which had freed about 28 hostages, claimed the heavy artillery was used because Chechen fighters had begun killing their remaining captives. But Chechen separatists said they had not killed any of the hostages and that the 16 dead captives were the victims of Russian shelling.

In a sign that Moscow's ruling elite is closing ranks on the Chechen issue, Mr Victor Chernomyrdin, the prime minister, publicly backed the tough new line.

In the past, Mr Chernomyrdin has advocated a political resolution of the Chechen conflict, but he has come under intense criticism this week for negotiating an end to a Chechen hostage-taking incident last summer.

Many Russian politicians say the deal Mr Chernomyrdin reached in June emboldened Chechen fighters to seize more prisoners this week.

US and European officials yesterday expressed growing concern over Russia's use of extreme force, warning that the actions might exacerbate the conflict.

Russia's newly elected parliament took a similar view, overwhelmingly backing a resolution criticising the Kremlin for not seeking a political settlement.

French recognise value of English gangster

By Andrew Jack in Paris

The Académie Française, the official arbiter on the French language, yesterday recognised "gangster" and "garden party" among a number of English words now acceptable for common use, to the probable chagrin of purists.

In the latest Official Journal of the Académie, 647 new or modified words beginning with "f" and "g" have been added to the draft of a new edition of an approved dictionary.

The document, which delights in detail, also clarified that the plural of gagne-pain (job) was gagne-pains, and highlighted useful words such as frotte-manche, a Belgian expression for a sycophant.

It also included a number of extra English words, including "full", as in a "full house" in a card game, and garden party, nadding that "party" had itself been derived from the French word "partie".

Under the previous government, Mr Jacques Toubon, the minster of justice, had opposed the encroachment of "franglais" into the French language and introduced a law cutting down on the use of English in official documents.

But the Académie yesterday played down any conflict with the government, stressing that its role was simply to recognise words in current, appropriate usage, adding that Mr Toubon's law was not as draconian as it had been made out to be.

Even so, the Académie's workload may not meet the current French administration's demand to cut down on extravagance by the state and to improve productivity.

Since the Academie's foundation in the 17th century, the sole official function of its 40 "immortals" – members who are chosen for life – has been the compilation of a dictionary of French. They meet every Thursday to carry out their work.

They have only ever produced eight dictionaries, the most recent full version dating from 1935. Work began in earnest on

Continued on Page 18

Eurotunnel may ask court for debt mediator

By William Lewis, Robert Rice and Robert Peston

Eurotunnel, the Anglo-French operator of the Channel tunnel, may ask a French court to appoint a mediator to handle negotiations with its banks after a warning by its auditor that it is in danger of becoming technically insolvent.

The mediator would have powers to seek a binding agreement between Eurotunnel and creditor banks which agreed to take part in the procedure.

KPMG, the company's French auditor, filed the warning to comply with its duties under France's bankruptcy law. Eurotunnel said last night "there is no such danger" of the company becoming insolvent in the period to March 1997, due to a standstill agreement with its banks, which are owed £8bn ($12bn).

Eurotunnel's shareholders have not been told of the possibility of the court appointing a mediator nor of the French auditor's concerns.

However, Eurotunnel said that it planned to give shareholders copies of KPMG's report at the annual meeting in June. It also said it had informed its 225 banks "as a matter of course".

Last September, Eurotunnel announced it had suspended interest payments on its debt and was entering negotiations with its banks to rearrange its finances.

However, the talks have made slow progress and the company has suffered from stock market rumours that it is to go into administration in the UK.

"In France, this is seen as a relatively orderly happening," a Eurotunnel spokesman stressed. He said the auditor's report "showed that there are difficulties" but that it was "an inevitable and normal event".

Following the company's September announcement, KPMG submitted a report on Eurotunnel's finances to Tribunal de Commerce, a French commercial court, in Paris.

Eurotunnel last night refused to give details of the report other than to say that KPMG had submitted it "because it was their duty under French law to do so".

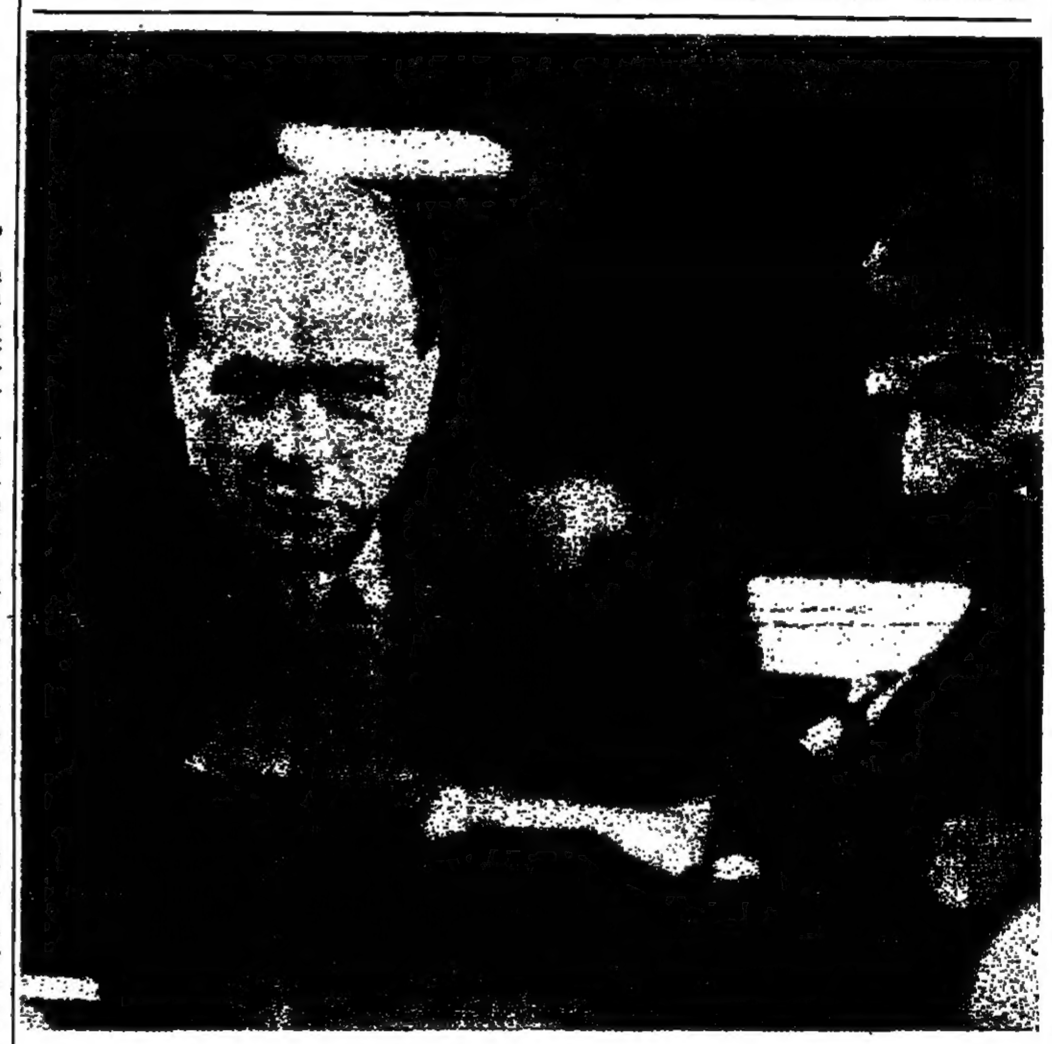
According to legal experts, the 1985 French Bankruptcy Law requires auditors to alert the commercial court "where the anticipated income of the enterprise will not cover the payments of its debts".

If an auditor fails to trigger an alert it can be held liable for damages in the event of the company going into liquidation.

Eurotunnel said it was now able to request the president of the court to appoint a Mandataire ad hoc to mediate between it and creditor banks. The company described the mediator's role as "a sort of kind uncle that helps the company in reconciling its differences".

The spokesman said Eurotunnel "has as one of its options the opportunity to go to the president and ask for the tribunal's support in the appointment of the Mandataire ad hoc".

Live TV barred at Berlusconi trial



Former Italian prime minister Silvio Berlusconi, left, confers with his lawyers at the start of his trial in Milan on charges of bribing financial police. They objected successfully to proposed live television coverage of the trial agreeing that the proceedings should go out live on radio alone. Report, Page 18 Picture: AP

Airline owner may sell stake in Sabre reservations system

By Michael Skapinker in London and Wolfgang Münchau in Frankfurt

AMR, the parent company of American Airlines, is believed to be considering selling a stake in its Sabre reservations system, the most profitable part of the group.

AMR said it could not comment on the report of the possible sale, which was reported by Manager Magazin of Germany. However, the group said it was involved in discussions with various parties on a continuing basis.

The magazine said AMR had ruled out a sale to a rival airline, preferring a "neutral operator". This would open the way to non-airline buyers, including computer and telecommunications companies.

The magazine said AMR would use the receipts of the sale for "the next round in the acquisitions game" for US airlines.

Last year AMR investigated the possibility of buying USAir, in which British Airways has a 24.6 per cent stake, but nothing came of the talks between the two US carriers.

Analysts were surprised that AMR might consider selling part of Sabre. The conventional wisdom in the industry is that Mr Robert Crandall, AMR chairman, would rather sell American Airlines than Sabre.

AMR yesterday reported that Sabre made pre-tax profits of $371m in 1995, with a profit margin of 23 per cent. The airline division made a pre-tax loss before extraordinary provisions of $81m. AMR said the group's net earnings were $167m after restructuring charges, compared with $228m in 1994.

Analysts said one explanation for selling part of Sabre would be to provide AMR with the cash to expand in the airline industry, either in the US or abroad.

Sabre is one of the world's biggest computerised reservation systems, which allow travel agents to book airline tickets, hotel rooms and car hire.

Founded in 1962, Sabre's computerised heart is in an underground bunker in Tulsa, Oklahoma. Sabre terminals are on the desks of 28,000 travel agencies in 74 countries.

All the big reservation system providers are battling to increase their worldwide presence. Last year, Amadeus, the system owned by Air France, Lufthansa of Germany and Iberia of Spain, acquired the reservations system of Continental Airlines of the US.

Galileo, the third big reservations system, is owned by a group of airlines, including Air Canada, Alitalia, British Airways, United Airlines and USAir.

Airline industry observers have speculated that the growth of direct booking on the Internet might impede expansion of reservation systems.

British Midland last week said it had become one of the first airlines to accept credit card payment for tickets over the Internet. Reservation system providers, however, say they believe the Internet will not have a substantial impact on their businesses for many years.

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£6,500,000

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IEC Group

Innovative Electronic Components Group

in the acquisition of ASAP Components S.A.

Equity provided by

Funds managed by CINVen

Gresham Trust

Sopaf International

Banking facilities arranged by

NatWest Markets Acquisition Finance

CINVen / INDEPENDENT / VISION

Finance available asap

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Euro-MPs reject greater openness

By Emma Tucker in Strasbourg

The European Parliament yesterday threw out proposals to outlaw the acceptance of undeclared gifts and payments in a move that will further damage the assembly's less than pristine reputation.

The decision to shelve plans for a register detailing lobbyists' gifts, as well as proposals for a full declaration of MEPs' financial interests, is likely to undermine the parliament at a time when it is calling for its powers to be extended.

It is also likely to prompt accusations of hypocrisy. The parliament has campaigned vociferously for greater openness and transparency at the Council of Ministers and the European Commission.

"I don't think the vote could have done much to enhance the image of the European Parliament," said Mr Glyn Ford, the British Socialist MEP and author of proposals that would have forced lobbyists to declare any gifts or donations made to MEPs.

"The vote will only encourage those people who want to undermine the institution.... they will use it as an excuse to deny the parliament the power it should be offered," he said.

The proposals fell through after failing to attract the support of the Conservative European People's party, the second largest grouping in the parliament after the Socialists.

The EPP said it was unable to reach a consensus within its own ranks because of "cultural" differences. Some Christian Democrats, including French, Spanish and Nordic MEPs, said it should be a crime to accept anything from a lobbyist, while others, including the British, said taking gifts was acceptable so long as they were declared.

The Ford proposals would have required anyone spending more than a week inside the parliament to sign a register and to disclose any cash or gifts offered to MEPs, assistants and officials that exceeded Ecu1,000 (£840) per year, per person. Lobbyists would also have had to seek permission to visit a member's office, thereby banning the common practice of "cold-calling" MEPs in their rooms.

Last year there were ugly scenes when the Iranian National Resistance pestered MEPs, interrupting meetings and becoming physically intimidating. "It got over the top," said Mr Ford. "They were knocking on the door every half hour."

A second proposal, calling for a declaration of professional activities and financial interests, was also shelved. However, Mr Jean-Thomas Nordmann, a French liberal MEP and its author, was not dismayed. "This was not a burial of the report," he said. "I am optimistic that we can reach certain solutions."

The EPP said the proposals were "not well thought out" and it had presented an amendment requiring that details of property and income be declared but kept confidential and only released at the request of a court of law.

Both reports were sent back to the parliament's "rules committee", in theory to be reworked. However, this was the second time in six years that rules aimed at limiting lobbyists have failed to win support, and Mr Ford said he was not optimistic about proposals re-emerging in the near future.

Survey feeds European growth fears

By Gillian Tett, Economics Correspondent

Fresh indications of the slowdown in European growth have emerged in a survey of businesses and consumers published yesterday.

According to the European Commission, business confidence deteriorated last month in almost all EU countries, particularly in France, Belgium, Britain and Germany.

Consumer sentiment also declined, the unease affecting both France and Germany, with strong currencies over the past year, and Italy, with a weaker one.

The Commission's survey, which covers 23,000 businesses in 12 EU countries is arguably the most authoritative pan-European guide to the public mood. Consequently, the results are likely to fuel fears among economists that the pace of European growth could disappoint this year, particularly if businesses try to reduce stocks of unsold goods.

Although the industrial confidence indicator is still in line with its long-term average – albeit well below the levels seen last year – the consumer confidence indicator is now back to levels last seen in 1992.

The sharpest fall in confidence among consumers occurred in France, which has been gripped by concerns about forthcoming budget cuts. The sentiment indicator fell to a balance of minus 30 per cent in December, down from minus 25 per cent in November. (The balance is reached by subtracting negative replies from positive ones.)

Italian confidence also fell, from minus 21 per cent to minus 25 per cent. Again, economists suspect that longer term structural concerns about welfare state cuts may be playing as large a role in sentiment as specific short-term prospects.

These two swings, coupled with a flat picture elsewhere, took the overall confidence survey down to minus 17 per cent, compared with minus 15 per cent the previous month.

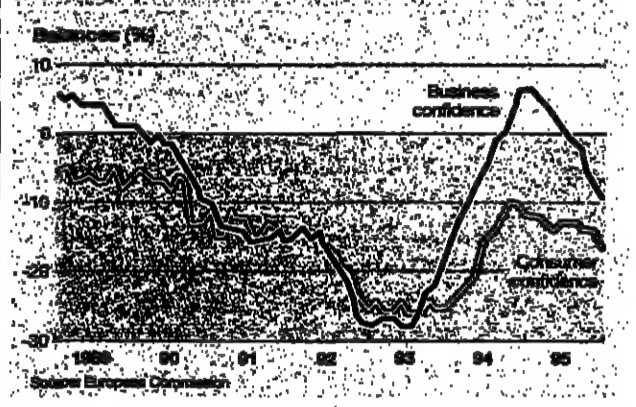
Nevertheless, the survey revealed an interesting trend. Though consumers are pessimistic about the overall conditions, they are more upbeat about their finances: a balance of 12 per cent think the general economic situation will deteriorate next year, but only 2 per cent think their household finances will worsen.

Some economists hope this means that consumers may still spend. In recent months the Commission's survey has shown that the retail trade has become less downbeat.

Manufacturers appear to be taking a gloomier view of demand, however. Industrial sentiment dropped in Belgium, Germany, France, Italy, Portugal and Britain, with the overall indicator falling to a balance of minus 10 per cent.

And companies appear to be reducing investment plans. The Commission's half yearly survey of investment showed that while investment grew about 11 per cent in volume last year, it is likely to rise by only 4 per cent this year. Belgium, France and Britain recorded the most upbeat investment intentions.

Many Brussels officials remain convinced the mood should change soon, however, and are reluctant to draw too gloomy a conclusion from the data.



Links fall short of drawing up co-ordinated policy initiatives

Bonn and Paris swap growth plans

By Peter Norman in Bonn

Germany and France are exchanging information about plans to foster growth and jobs in their economies, but the links fall a long way short of drawing up a co-ordinated policy initiative.

Mr Peter Hausmann, German government spokesman, yesterday confirmed that experts from the two countries were in touch. However, in an apparent bid to play down expectations of joint action, he emphasised that economic conditions in France and Germany differed.

Earlier this week, President Jacques Chirac disclosed that he had talked to Germany's Chancellor Helmut Kohl of the need for co-ordinated measures to boost the two economies.

So far, however, links have been limited to telephone contacts between the chancellery and the Elysée palace. In Bonn at least, the government ministries which are helping to draw up a package of measures to boost jobs and economic growth for the end of this month are not yet involved.

However, pressure for joint Franco-German action is growing. Mr Karl Lamers, a leading foreign policy expert in Mr Kohl's Christian Democrat parliamentary group, has suggested that Germany's own plans to limit its public deficit while encouraging job creation should be adopted by other European Union countries at the level of an EU summit meeting.

He has called for a Franco-German initiative to spread the ideals of the "social market economy" throughout the EU. Specifically, EU member states should commit themselves to fiscal rectitude, as proposed by Mr Theo Waigel, the German finance minister, in his stability pact for Europe. With their fiscal flanks secure, EU governments should then involve trade unions and employers in structural reform programmes to lower the costs of labour.

Although fiscal consolidation can cause pain in the short term, voters should be taught that stability encourages rather than destroys employment. Mr Lamers argues that a European stability and employment pact could make Europe's citizens appreciate the Maastricht Treaty more because it would be seen as being linked to job creation, rather than simply to matters of money.

Mr Lamers believes that a Franco-German social market initiative could find a positive echo elsewhere in the EU and particularly in the Netherlands, whose prime minister Mr Wim Kok is a former trade union leader and is close to Chancellor Kohl.

Pasok to choose new Greek premier

By Kerin Hope in Athens

Deputies from Greece's governing Panhellenic Socialist Movement (Pasok) will elect a new prime minister today to succeed Mr Andreas Papandreou, who resigned earlier this week because of ill-health.

For Pasok deputies, who have only a limited role in party affairs, the election of a new prime minister offers an unexpected chance to wield real power. The list of candidates shortened yesterday to four after parliamentary Speaker Apostolos Kaklamanis pulled out of the race.

Mr Akis Tsochatzopoulos, acting prime minister, has not formally announced his candidacy, but was expected to do so before Pasok's 169 deputies gather in parliament for the vote.

Supporters of Mr Tsochatzopoulos are likely to decide the outcome of a run-off vote. Neither of the two front-runners, Mr Costas Simitis, former industry minister, and Mr Gerasimos Arsenis, defence minister, is expected to win a clear majority in the first round.

The fourth candidate, Mr Yannis Haralambopoulos, a former foreign minister who has been in near retirement because of a heart condition, is likely to finish last in the poll. He represents a small group of elderly former cabinet ministers who were close to Mr Papandreou.

Apart from past and present cabinet ministers, most of Pasok's parliamentary group are young and relatively unknown politicians. In a leftover from the party's Marxist past, both policy-making and patronage are closely controlled by Pasok's 150-member central committee.

Mr Simitis's campaign to give the parliamentary group additional powers should stand him in good stead in today's election. According to opinion polls, he is also rated the leader most likely to win the next general election, due in 1997.

Mr Simitis can also count on support from popular backbenchers in Pasok's pro-European faction, such as Ms Vasso Papandreou, a former EU commissioner, and Mr Theodoros Pangalos, former European affairs minister, who both have a personal following among deputies.

However, Mr Simitis has been criticised by deputies loyal to Mr Papandreou for publicly demanding his retirement. Mr Arsenis, whose support is stronger among Pasok officials than deputies, is portrayed by the prime minister's associates as his political heir.

Whichever candidate wins will be under pressure to make concessions to his opponent, such as offering him a senior cabinet post, in order to preserve Pasok's unity.

The new prime minister will have only a few months to secure his job before Pasok's central committee holds a special party congress in June at which he will be obliged to face election as party leader.

Juppé to bring forward tax reform

By David Buchan in Paris

The French government is considering a modest boost to the country's flagging economy by bringing forward to this summer a long-planned fiscal reform. But it flatly rejected backbench calls yesterday to delay a tax to repay welfare debt and to let people postpone their spring payment of income tax.

Directed by President Jacques Chirac to prepare a new package to revive flat economic activity, the government is now planning to bring in earlier part of the fiscal reform it had planned for 1997.

The change involves taking a couple of percentage points off employees' health insurance charges and filling the public financial hole with a smaller increase in the CSG, a general social charge that is levied on more people and on a wider range of income.

Referring to the president's declared wish for co-ordinated measures with Germany, Mr Alain Juppé, the prime minister, said he hoped for some "synergy with Germany and our European partners".

But, in an interview with Le Figaro newspaper yesterday, he made clear his main discussions on new measures to encourage consumption and to give housing a boost would be held with employers and unions in France rather than governments abroad.

Clearly irritated with the way backbenchers in his own centre-right coalition have responded all too vigorously to the Chirac order, Mr Juppé yesterday told deputies they should think about whether their ideas "help or hinder the government and the coalition" before going public with them.

Specifically, he rejected calls from the government backbenches for a postponement of his levy of 0.5 per cent, due to come into force next month, to be used to repay FFr230m ($46m) worth of accumulated social security debt. The government coalition had already given this levy its backing, he said, and he was not going to back away from it now.

He also scoffed at the arithmetic of supporters of Mr Edouard Balladur, his predecessor as prime minister, who claimed that Mr Juppé was exaggerating the amount of welfare debt to be repaid.

Meanwhile, government officials ruled out the idea floated by Mr Balladur this week that, in the interests of boosting consumption, people should be allowed to delay payment of the one-third of their annual income tax bill due in mid-February.

Dutch call for bugging inquiry

Dutch politicians yesterday demanded an inquiry after reports that one of the country's largest banks was allegedly tapping staff telephone calls and using the information to judge personal performance, Reuter reports from Amsterdam.

An article in De Volkskrant newspaper accused Postbank, part of the ING financial services giant, of eavesdropping without permission on hundreds of staff dealing with clients on the telephone.

Postbank executives told Reuter that they were unable to comment immediately but planned to issue a statement later.

The Dutch Green party called on the justice ministry to investigate whether Postbank had broken the law by breaching staff privacy. Trade union officials warned that, if true, the practice was totally unacceptable.

"If it's true that employees don't know they're being watched, this is a serious situation," said a spokesman for the national Dutch services union, which plans to raise the issue with Postbank management.

According to De Volkskrant, the bank's management has been monitoring staff telephone calls for more than 18 months by using a specially designed computer bugging device.

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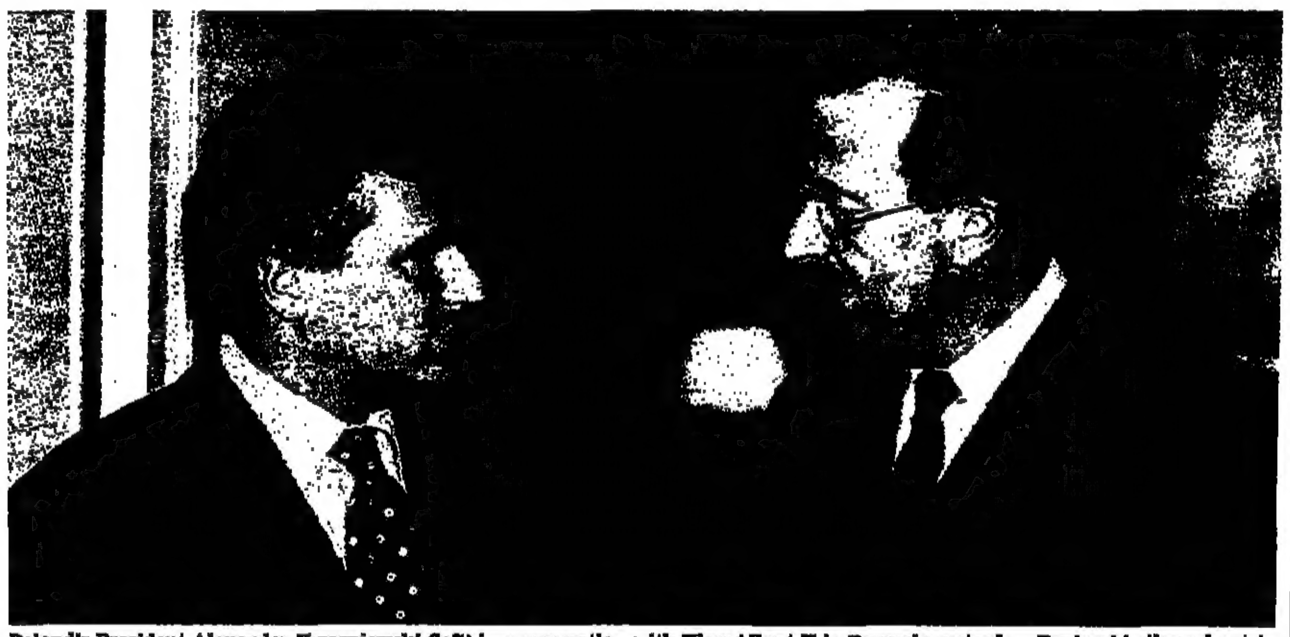

Poland's President Alexander Kwasniewski (left) in conversation with King Albert II in Brussels yesterday. During his three-day trip to Belgium, the president will meet government, Nato and European Union officials Reuter

Poland's political crisis deepens

By Christopher Bobinski in Warsaw

Poland's political crisis deepened yesterday as the country's main opposition party outlined a plan to replace the present governing coalition. Newspaper reports also suggested that Mr Jozef Oleksy, the former communist prime minister who has been accused of spying for the Russians, was not the only agent at the top of his party.

Wprost, a high-circulation weekly magazine, claimed the Russians had two other high-level agents in the SdRP, Mr Oleksy's former communist party. The paper quoted their code names and said Poland's UOP state security office had obtained the information from a source inside Moscow's security services.

Mr Leszek Balcerowicz, head of the Solidarity-based Freedom Union (UW) party, said his movement would be putting a motion of no confidence in the government, as would other opposition parties such as the Labour Union (UP).

The move will only be successful if the UW can persuade the Polish Peasant party (PSL), junior partner in the governing coalition, to break with the former communists and join the opposition to form a new government.

Mr Waldemar Pawlak, PSL leader, yesterday said no decision could be expected from his party until its national leadership met next week.

At present, the PSL has a strong position in local administrations and several key economic posts which give it more influence than its electoral support would suggest. This position would be weakened if the PSL decided to switch to a new coalition with several political parties all eager to staff senior ministries.

The UW is arguing that, whether the charges against Mr Oleksy are substantiated or not, the fact of his admitted friendship with a man who turned out to be a KGB agent has hurt the government's standing, and that the PSL should in the national interest help to form a new administration.

This line is supported by yesterday's text in Wprost which detailed the Polish communist party's financial status in 1990 when reborn as the SdRP. It went over circumstances of the transfer of an already publicised $1m (£649,300) loan from the KGB, suggesting Mr Oleksy's movement was effectively an agent of a foreign power.

French business plan for pensions

By Andrew Jack in Paris

A committee of senior French business executives yesterday called for a system of supplementary pensions to be created alongside the deficit-ridden national system.

"France pensions", a group representing more than 15 large companies which has been meeting since March 1994, published a charter of recommendations for "savings and retirement funds".

It said such funds should be available to all employees and benefit from tax advantages. But they stressed that they should be voluntary, and be in addition to the state pension, which would remain at the centre of the French system of retirement provision.

Among the group's most radical calls was for the new funds to be available before retirement, to be spent on activities such as paying off a mortgage, retraining for work or starting a business.

It said a large proportion of money managed through the schemes should be invested in shares rather than bonds – an obligation for most money in pension schemes in France – because of the historically far higher rate of return.

Recognising that limited experiments with long-term savings and pension funds for the self-employed had not proved very successful to data, it urged companies to launch communication and education programmes to encourage their staff to make contributions.

The group stressed that such schemes should be managed independently outside an employee's company with an oversight committee and scrutiny from auditors.

It said it would shortly be presenting its conclusions to government and to influential decision-makers. It plans to expand its discussions over the coming few weeks to include meetings with about 100 leading French companies.

The government has long promised support for pension fund reform. However, slowing growth, compounded with challenges in reforming the social security system, appear to have reduced its momentum for change.

Phone taps cause uproar in land of the paparazzi

If 25,000 Italians are bugged can politicians escape? **Robert Graham** reports

In the country which invented *paparazzi*, the release of embarrassing extracts of telephone taps of public figures, including former prime minister Silvio Berlusconi and Mr Antonio Di Pietro, the one-time leading anti-corruption magistrate, has provoked an uproar over lax privacy laws.

One of these taps recorded Mr Berlusconi discussing in crude and unflattering terms Mr Di Pietro's political ambitions with a mutual business friend. At one point Mr Berlusconi exclaims: "You know how many problems I've got? Di Pietro's defying the politicians, and if we throw in the towel to end Clean Hands [the anti-corruption investigations led by Milan magistrates], he'll put himself at the head of a popular protest."

Another tap has Mr Di Pietro mentioning Mr Romano Prodi, the leader of the centre-left alliance with whom he had been discussing a political deal, to a lawyer friend. "I'm writing an article for tomorrow's La Repubblica. It's very tough on Prodi." He adds with relish: "It'll be really tough."

These conversations were part of evidence deposited with the courts last month by Brescia magistrates in their request for Mr Di Pietro to be sent for trial on charges of blackmail and abuse of office.

The same complex case also involves Mr Berlusconi. The media tycoon is under investigation for allegedly trying to blackmail Mr Di Pietro, forcing him out of the judiciary and damaging his chances of entering politics.

The leaked transcripts were revealing reading but it is hard to see their direct relevance to any crime. Much was taken up with irrelevant personal details and frivolous comments.

It is not clear who released the transcripts from the court. But as Mr Giovanni Maria Flick, a leading jurist and legal commentator, pointed out: "Once documents have been deposited with the court as part of a prosecution case, they are in the public domain and available to the defence."

Politicians in both houses this week tabled amendments to close loop-holes and impose tighter controls on investigative magistrates while giving greater protection to individuals.

Mr Lamberto Dini, now the caretaker prime minister, has also thrown his weight behind moves to protect privacy.

The issue is important because investigative magistrates are making ever greater use of telephone taps and bugging devices in prosecuting alleged corruption and mafia-related crimes. This raises the question of how many persons are subject to such controls and by whom. The Justice Ministry does not supply figures on phone taps. But press reports this week talked of more than 25,000 cases a year.

Public figures believe their conversations are monitored and often go to great lengths to conduct sensitive conversations in secure places.

Phone taps are placed after a magistrate has made a request to a judge of first instance, who must be satisfied a crime is being investigated that carries a minimum sentence of five years. These offences include corruption and blackmail. Although no time limit is imposed, the judge can check whether the taps continue to be relevant.

All conversations not strictly relevant to the investigation should be removed from the record, but this is so subjective that abuse is easy.

Abuse is further encouraged by the number of different arms of the police operating taps – Carabiniere, finance police and the ordinary police force – making it more difficult to control.

Even with tighter controls on the police side, there is a lack of accountability of probably the worst offenders in breaching privacy – the various branches of the security services and the people who purport to act in their name.

The security services are notionally accountable to parliament; but control is at best loose and parliament learns of abuses long after they have occurred.

Security service taps cannot be directly admitted as court evidence, but their selective release can be used as blackmail and for character assassination.

Thus, while it is possible to make it harder for magistrates to abuse the system by ruling that material irrelevant to investigations be destroyed, the security services remain a law unto themselves.

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NEWS: EUROPE

EUROPEAN NEWS DIGEST

Germans to air firm Emu line

Mr Hans Tietmeyer, president of the German Bundesbank, yesterday reinforced its determination that European monetary union be should based on solid foundations by stating that dissenting views on potential members would be publicised as well as majority opinions.

Mr Tietmeyer said the European Monetary Institute, forerunner of the planned European central bank, was charged with recommending which countries should join Emu. "I, as a representative of the Bundesbank, will have to give an opinion." The decision process on Emu participants would start with the EMI – the European Commission will also be involved – "but one voice will come from me".

Mr Tietmeyer made clear the German central bank's views would become known if it disagreed with the majority view. He said both minority and majority views in the EMI, on which all European Union central banks are represented, would be published. "This means there will be a transparency of opinion in the EMI for the public," Mr Tietmeyer said. Mr Alexandre Lamfalussy, head of the EMI, previously said it would give a "professional" and not a "political" interpretation of which countries meet the Maastricht criteria for Emu, due to start in 1999. *Andrew Fisher, Frankfurt*

Dutch set up 'Euro' forum

The Netherlands, an enthusiastic supporter of a single European currency, is to set up a national platform next month to help prepare Dutch businesses, consumers and banks for the scheduled launch of the "Euro" in January 1999. Mr Henk Brouwer, treasurer-general at the Dutch finance ministry, will chair the platform, designed to be a "sounding board" for people and organisations affected by the monetary changes.

The "National Forum for the Introduction of the Euro" will have 15 representatives from employers' organisations, trade unions and consumer groups, as well as from Dutch banks.

At the conference on the Euro, organised by ABN Amro, the country's biggest bank, Philips said one of the best ways for businesses to prepare was to work together with other companies. The electronics group set up an internal single currency platform in 1995 as part of its own preparations for the Euro.

Mr Dudley Eustace, the finance director of Philips, said his greatest fear in preparing for the Euro was possible shortages of computer experts needed to adjust financial management systems. *Ronald van der Krol, Amsterdam*

Rühe asks for Eurofighters

Mr Volker Rühe, Germany's defence minister, yesterday asked parliament to approve the purchase of 40 extra Eurofighter aircraft in order to ensure that Germany is entitled to 30 per cent of the work on the £32bn project, Europe's largest joint defence initiative.

The decision follows months of speculation that he would bow to pressure from Britain, Italy and Spain, the other partners on the project, and increase the number of aircraft Germany would buy. It is also acutely embarrassing for Mr Rühe who, shortly after becoming defence minister in 1992, reduced the number of planes Germany would buy from 250 to 140. Whether Mr Rühe gets parliamentary approval for the extra aircraft remains to be seen. If Mr Rühe can win over the parliamentary defence committee, whom he met yesterday, he must still go before the budget committee later this year for final approval. *Michael Lindemann, Bonn*

CDU salvages Berlin coalition

Berlin's Christian Democratic Union (CDU) yesterday salvaged the capital's new coalition government after promising the Social Democratic party (SPD) control of the finance ministry. The compromise was reached after SPD grassroots threatened to withhold support for the coalition agreed last Friday.

Under that agreement, the CDU got five ministries, including economy, interior and finance, while the SPD gained four lesser ministries – reflecting its poor showing last October, when it polled only 23.6 per cent of the vote compared to 30.4 per cent in 1991.

The new coalition was to be accepted last night by a special SPD meeting. The coalition's agenda for its four-year term includes curbing unemployment, running at 13.4 per cent in the west and 12.3 per cent in the eastern part of the city, cutting the city's budget deficit of DM9bn (£4bn) and preparing for the federal government's transfer from Bonn by the end of the century. *Judy Dempsey, Berlin*

French post office faces losses

The French post office is set to report losses of more than FFr1bn (£130m) for 1995, driven by the effect of the strikes affecting the country late last year as well as a drop in activity in its postal delivery services.

Mr André Darrigrand, the chairman, said in an interview that the organisation was likely to incur further losses during 1996, compared with a profit of FFr194m in 1994.

He said the strikes in France during November and December had triggered a drop of 20 per cent (FFr1bn) in turnover, which had substantially increased the predicted levels of losses. He stressed that the Post Office was launching new efforts to control its costs and to relaunch itself commercially, but also argued for the need for increases in postal rates. *Andrew Jack, Paris*

Fiat to lay off car workers

The Fiat motor vehicle group in Italy, blaming a continuing crisis in the European vehicle market, said yesterday it planned to put thousands of workers on temporary layoffs to curtail its production next month.

The Turin-based group said it would produce 21,000 fewer vehicles next month, but did not disclose how many cars it would have produced without the cutback.

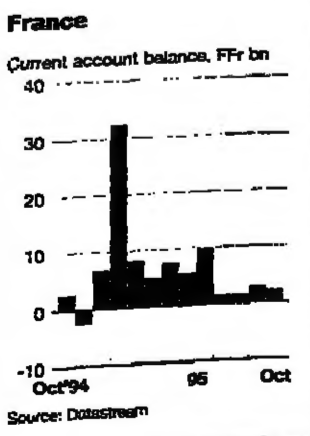
Under a temporary state-supported unemployment scheme 26,800 workers will be laid off in the week starting January 29, while 12,000 will be affected in the following week. Fiat said that older models would be affected by the production cutback while the newer models, such as mid-sized Bravo and Brava, would proceed as scheduled. *AP, Turin*

ECONOMIC WATCH

French surplus at FFr2.34bn

France

Current account balance, FFr bn



Source: Datastream

France reported a current account surplus of FFr2.34bn (£305m) for October last year, according to official preliminary seasonally adjusted Treasury statistics released yesterday. The surplus was down 20 per cent from the surplus of FFr2.94bn in September 1995, but up 42 per cent from the seasonally adjusted figure of FFr1.65bn during August. The non-adjusted figures on the current account were FFr4.58bn for October, compared with FFr6.27bn in September and a deficit of FFr2.79bn in August. The figure for merchandise trade was FFr5.61bn for October, compared with FFr2.6bn in the previous month. The surplus on services stood at FFr7.2bn against FFr6.49bn in September, while the balance from other goods and services was FFr1.2bn compared with FFr1.4bn. There was a net outflow in transfers of FFr3.75bn in October, compared with an outflow of FFr4.64bn in September. *Andrew Jack, Paris*

Chubais forces Yeltsin's hand

By John Thornhill in Moscow

President Boris Yeltsin's decision to remove Mr Anatoly Chubais from his post as first deputy prime minister in charge of economics was interpreted by Russian political commentators yesterday as a sign that the president has decided to seek re-election in June and is desperate to win.

Mr Chubais, an anti-inflationary ideologue who relished roughing up Russia's vested economic interests, had simply offended too many people and was too great a political liability, they said.

The Communist party, which emerged as the biggest party in parliament in last month's elections, had continuously attacked Mr Chubais. They blamed him, however unfairly, for the social pain of economic transition.

Mr Chubais's tough monetary policies, which cut the monthly rate of inflation from 17.8 per cent in January last year to 3.2 per cent in December, were blamed for late payment of wages and pensions and the axeing of subsidies to industrial plants which has stoked unemployment.

Mr Oleg Soskovets, the rival first deputy prime minister who is running Mr Yeltsin's campaign headquarters, doubtless enjoyed persuading the president that Mr Chubais's removal was a tactical sacrifice to achieve the longer-term electoral aim.

There was no denying the sense of shock yesterday caused by Mr Chubais's departure among Russia's youthful, but dwindling, band of economic reformers – and some may yet decide to quit the government as a result.

They were left clinging to the hope that Mr Chubais's removal did not signify a reversal of economic policy, as Mr Yeltsin's aides were quick to emphasise. Nevertheless, the president's economic aides made clear there would be a change of economic priorities.

First, the government would insist on a more rigorous implementation of the budget to ensure wages were paid on time. To emphasise the point yesterday, Mr Yeltsin instructed all the responsible economic agencies – including the Federal Security Service (FSB) – to take urgent measures to restore "financial discipline".

Second, the government looks set to slow the much-criticised privatisation programme and place more emphasis on managing state assets.

Neither change is likely to ignite inflation and jeopardise the progress Russia has made towards stabilising the economy. The International Monetary Fund is keen to continue talks with the Russian government about a three-year $9bn (£5.8bn) loan while waiting for Mr Chubais's replacement to be appointed.

Mrs Brigitte Granville, a Moscow-based economist and senior fellow of the Royal Institute of International Affairs, said: "Chubais's departure came as a great discouragement. But, frankly, in terms of economic policy it will not have major consequences. The 1996 budget has already been passed and the IMF straitjacket is still in operation."

The longer term worries, though, are whether Mr Chubais's removal confirms a more fundamental shift towards the reactionary hardliners within the Yeltsin administration and a loss of appetite to tackle much-needed structural economic reform.

But neither of those concerns will be resolved before the all-important presidential election scheduled for June 16.

● Russia's military satellites are wearing out, no new ones are being launched, and the cold war superpower's early warning system could collapse by the end of the century, a defence ministry newspaper said yesterday, Reuter reports from Moscow.

Krasnaya Zvezda (Red Star) reported from a once-secret satellite command centre near Moscow that ground controllers were coaxing extra life out of the satellites – some of which were working well beyond their intended lifespan.

Under President Leonid Brezhnev, up to four spy satellites were launched each year to keep watch on US nuclear missile silos and airbases.

But with the breakup of the Soviet Union in 1991 the launch programme ground to a halt after money ran out and production facilities in Ukraine and Armenia were lost.

"If the state needs this equipment it should pay for it," Mr Anatoly Chesnokov, a satellite construction engineer, said. "Otherwise we will have to get used to the idea of losing strategic equality with the US."

Separatists have motives and means to turn to international terrorism

Chechens open 'Pandora's Box'

By Chrystia Freeland in Moscow

With the hijacking this week of a ferry in Turkish waters, Chechens joined the list of peoples whose struggle for a separate state has led to ugly acts of international terrorism.

The latest twist in the Caucasian drama raised the prospect that Chechen separatists will emulate Palestinians, Kurds and Irish Republicans and wage a long, terrorist war for independence which recognises no borders.

Mr Aleksandr Iskanderian, an analyst at Moscow's Centre for Caucasian studies, says the Chechen struggle is already starting to resemble that of the Tamil Tigers in Sri Lanka or the Palestine Liberation Organisation. "If the Chechens decide that Russia doesn't care about its own citizens, they move to (attacking) Americans or other western citizens," he believes.

Already, the fact that the Chechen struggle has gone beyond the former Soviet Union has made it harder for outsiders to ignore. Chechnya's fiercely committed but outnumbered separatist fighters have the motive, and possess many of the means, to turn to international terrorism.

In conventional fighting, the Chechens, whose total population is less than 1m, stand little chance against a Russian military which appears committed to victory regardless of the price in civilian lives. But defeat on the battlefield is unlikely to persuade the Chechen rebels to give up their struggle for independence.

As Mr Dzhokhar Dudayev, the former Soviet air force general leading the Chechen fight for sovereignty, warned in an interview over the week-end: "We still have a male population of 500,000 without a roof over their heads, without means of livelihood and without a right to life.

"They are well armed and know how to fight. They are prepared to die in this war, regarding this as supreme bliss granted by the Almighty."

In the past, it was tempting to regard statements like these as rhetorical flourishes. But this week, it became harder to discount the possibility that, as Russian military pressure mounts in their own republic, Chechen separatists will increasingly turn to terrorist acts outside Chechnya and even beyond Russia.

The Turkish hijacking follows at least three seizures of hostages by Chechen militants within Russia over the past six months. These incidents have led some Russian and western analysts to predict that a conflict has been unleashed in Chechnya which will trouble Russia and the world for decades to come.

"The Pandora's Box has been opened and it is not to be closed," said Mr Sergei Karaganov, a Russian international affairs specialist. "There is no question that Russia will now face a terrorist problem for the foreseeable future. In the previous century, wars in the Caucasus lasted for dozens of years, this may be no different."

The Chechens, whose struggle against Russian invaders began in the 18th century and whose enmity towards Moscow was strengthened by the overnight deportation of the entire community in 1944, already possess many of the attributes required for a widening terrorist war. Chechen separatists have pledged to fight to the death, in accordance with their Islamic faith that Allah will reward freedom fighters with an immediate entry to paradise. Moreover, Chechen separatist fighters can rely on the support of their close-knit community in Chechnya and the Chechen diaspora which is particularly influential in Russia, Turkey and in the Middle East.

The deep-seated support for the rebels in Chechnya makes it almost impossible for the Kremlin fully to subdue the separatist fighters without annihilating the Chechens as a people.

Chechen emigre communities and strong ties between Chechen separatists and some Islamic fundamentalist groups in the Middle East give the Chechens the potential to reach beyond Russia's borders.

For now, Chechen separatists appear to lack a strong, centralised organisation able to co-ordinate a global terrorist effort. However, Mr Mark Galeotti, a British expert on Russian security, believes the latest hostage-taking incidents – in Dagestan, Grozny and now Turkey – have been co-ordinated rather than spontaneous.

He argues that fears of an uncontrollable spread of wildcat terrorist acts may be exaggerated. "Terrorism is a form of negotiation with the Russians, and it can probably be switched on or off," he argues.

Ironically, experts say Moscow is likely to prove immune to Chechen attacks. Many domestic analysts believe that the Russian capital is shielded by an implicit deal between Chechen separatists and the powerful Chechen mafia in Moscow which fears a Russian crack-down.

"Moscow is protected by the Chechen diaspora which has great financial interests here," said Mr Dmitri Trenin, a military analyst at the Carnegie Centre in Moscow.

The new international dimension of the Chechen conflict could further strain Russian-Turkish relations.

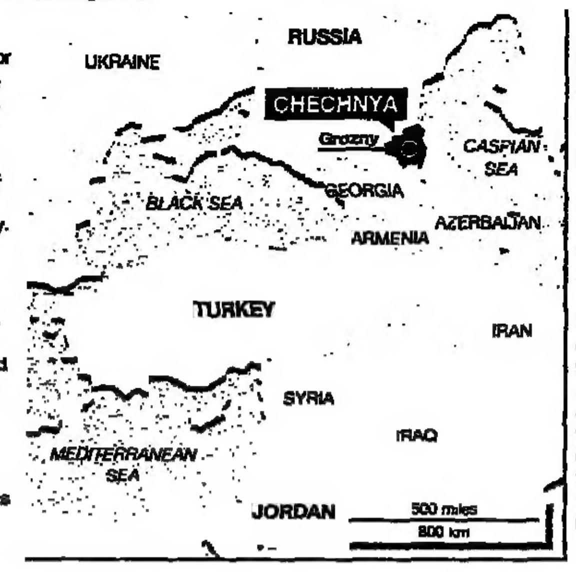
One source of pressure which Moscow may privately apply on Ankara was hinted at by Mr Vladimir Zhirinovksy, the ultra-nationalist politician, who said yesterday that Russia should help Kurdish separatists to punish Turkey for allegedly taking a soft-line with the pro-Chechen hostage takers.

The official Russian reaction is unlikely to be quite so blatant, but it could include a delicate allusion to Mr Zhirinovsky's suggestion.

The Chechen diaspora

Turkey
Strong sympathy for anti-Russian cause among the 50,000-strong Chechen community; up to 7m Turkish citizens have some Caucasian ancestry.

Jordan
Influential Chechen community, estimated at around 10,000, has strong links with the Jordanian royal court; total Caucasian community numbers about 80,000.



Russia
At least 100,000 Chechens live elsewhere in Russia, mainly in Moscow and St Petersburg; racial tensions simmering as Russian nationalists blame Chechens for rising crime.

Chechnya itself lies among a half-dozen semi-independent territories with strong Moslem traditions which could be affected by the mounting instability in the rebel republic.

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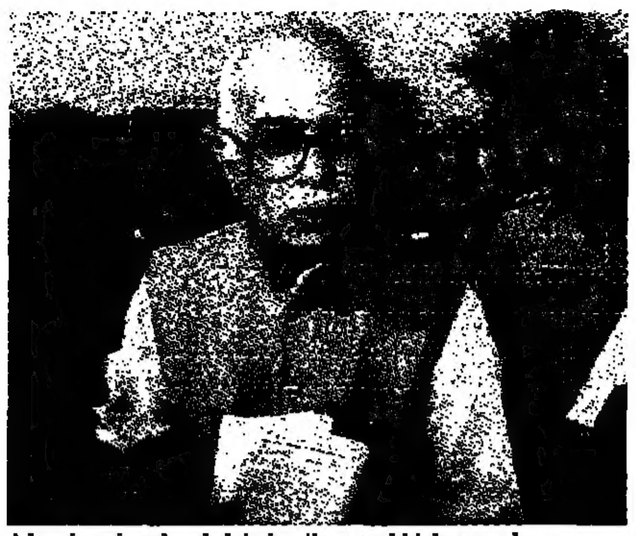
NEWS: ASIA-PACIFIC

Indian parties await bribes probe fallout

Mark Nicholson considers the possible impact of the corruption scandal on general elections in April



Advani: resigned and claiming the moral high ground

Corruption was always going to be a hot issue in India's impending elections. Opposition parties have whipped up scandals in the last year over alleged rigging of telecom privatisation, unproven charges of bribery in the original $2.8bn (£1.8bn) Enron power deal and, after the wife of a Congress party youth leader was found dead in a *tandoor* oven, accused the governing party of "criminalising politics".

But on Tuesday the issue exploded. After a four-year inquiry, the Central Bureau of Investigation has charged seven top politicians, including Mr L K Advani, leader of the opposition Bharatiya Janata party, and is seeking prosecution of three present ministers – one of whom resigned yesterday – for allegedly taking bribes from a Mr Surendra Jain, a Delhi-based steel and power businessman.

The cases derive largely from the contents of notebooks and diaries found by police at the home of Mr Jain, managing director of Bhilai Engineering Corporation, which contained a list of names and initials and apparent payments totalling more than Rs600m (£11m).

The bureau says that Mr Jain, who was arrested on corruption charges last year after investigations into black market currency dealings begun in 1992, has admitted these were payments to politicians and bureaucrats to further his business interests. Mr Jain has since released been on bail.

It is the broadest corruption case the bureau has undertaken and by far the gravest under the Congress party administration of Mr P V Narasimha Rao, prime minister. But it is not yet clear how damaging this explosive scandal will prove to Mr Rao or the electoral chances of Congress. In the first reactions of the Indian media and politicians yesterday, many pundits even detected Mr Rao's calculating hand in the timing of the charges, just three months away from a general election.

"All the parties have been making corruption a political issue and Rao has been able to steal a march on them," says Mr Nikhil Chakravartty, a political columnist. "He has brought it up at the right time in a neat way."

The charges certainly offer Mr Rao some political gifts. One is the inclusion of Mr Advani among the accused, apparently tarring the BJP with the very charges of "corruption in high places" the Hindu nationalist party has been making central to its anti-Congress drive. And, with three ministers facing indictment, Mr Rao could claim that he has allowed not only sweeping action against corruption, but for it also to reach the heart of his own government.

But there are risks for Congress. All the accused swiftly proclaimed their innocence on hearing of the charges, but Mr Advani also instantly resigned, saying he would not stand for election until his name was cleared. While Mr Balram Jakhar, quit his job as agriculture minister yesterday, Mr Advani's claim to the moral high ground could win him political points should the other two accused Congress ministers, Mr Madhav Rao Scindia and Mr V C Shukla, stay put.

Furthermore, the potential arraignment of three ambitious ministers could further fracture the governing party, which saw Mr Arjun Singh, a former minister, lead a breakaway group last year. Mr Singh, whose splinter group has sputtered politically since, is also among the accused and might hope to become a rallying point for disaffected Congress MPs.

"We are going to see tremendous political turmoil in the next few weeks," says Mr Rajiv Shukla, editor of the Sunday Observer, "and a lot of political regroupings."

The scandal could entangle yet more Congress politicians. A total of 67 public servants, 32 of them elected politicians, are facing charges or are under investigation following the interrogation of Mr Jain, who the bureau says has admitted to making at least 115 illicit payments, apparently to further his business interests, in 1988-91. "Other charges will follow," said a bureau official.

Voters may hope that they do, and, for the first time in post-independence India that such widespread allegations of serious corruption, if they are proven, might actually result in prosecution and conviction. Public cynicism over corruption investigations has been marked since the late 1980s scandal over alleged kickbacks paid to senior politicians in the purchase of Bofors guns from Sweden. No heads have rolled and the inquiry is ostensibly still in progress.

The prevalance of corruption within the Indian political system is in no doubt. Last August the government released extracts from a 1993 report into links between criminals and government following bomb blasts in Bombay. The reporting committee, headed by Mr N N Vohra, home secretary at the time, concluded shockingly that "the network of the mafia is virtually running a parallel government, pushing the state apparatus into irrelevance" and that "crime syndicates" had "successfully corrupted the government machinery at all levels".

Some analysts hope the present scandal could prove a watershed in attacking such deeply rooted corruption. They have been encouraged notably by the fact that the present inquiry has been spurred by India's supreme court.

The court, in turn, had been prompted by a public interest petition brought in 1994 by Mr Vineet Narain, editor of the small but crusading Kalchakra tabloid which had charged that the bureau had hushed up inquiries, despite possessing compelling evidence implicating top politicians.

That these initiatives should have taken the present case so far, says Mr Ravi Sundaram, an academic with the independent Centre for the Study of Developing Societies in New Delhi, is itself unprecedented. "You couldn't imagine a thing like this happening 10 years ago," he says. "The interesting thing is how it shows the state and the government is actually quite weak. Political leaders are perhaps not so able to push their agenda against other parts of state authority."

China threatens flow of business information

A move by China to reassert the monopoly of Xinhua, the official news agency, over the flow of news and business information entering the country is being widely interpreted as a grab for cash by the agency.

"This is mainly about Xinhua making money, and they are trying to do so by enforcing a monopoly over the dissemination of economic information," said the representative in Beijing of an international wire service.

China's State Council, or cabinet, announced on Tuesday that Xinhua would be solely responsible for the distribution of economic news provided by western agencies and would also ensure that such information was not a threat to the "national interest".

Mr James McGregor, chief representative in Beijing of Dow Jones and Co and chairman of the American Chamber of Commerce, described the move as "bad for China" because it risked jeopardising access by local subscribers to fast and accurate information.

Mr McGregor also said attempts to assert greater control over business information flows undermined China's attempts to join the World Trade Organisation. "Having the state monopolise yet another service organisation is certainly not in the spirit of the WTO," he said.

Representatives of international news agencies are awaiting details of how Xinhua plans to enforce control. Xinhua is drafting new regulations to give effect to the State Council edict.

But the representatives warned that attempts to censor or tamper with financial news would destroy its value. "There is no way you can route this through Xinhua censors and maintain timeliness," said one. "You can't censor a global service."

He also noted that Chinese financial institutions, which were increasingly involved in world markets, needed "real time" business information. China's foreign exchange reserves stand at $70bn (£45bn) and its two-way trade was worth about $280bn in 1995.

Chinese officials defended the announcement, saying it would not mean censorship or a slowdown in real-time news. But Reuters quoted an official as saying that foreign information vendors would have to sign agreements with Xinhua.

Xinhua, an organ of the Communist party central committee and one of China's main propaganda vehicles, enjoyed a monopoly over the distribution of western news agency material until the 1980s. But this stranglehold has been weakened by technological advances, including satellite communications, and by an explosion in demand for business information.

Reuters, which is the biggest provider in China of financial news, delivers its services direct to clients like the Bank of China and Ministry of Foreign Trade and Economic Co-operation by satellite or land-line, bypassing the state agency.

Xinhua is understood to have fought an 18-month campaign to persuade China's political leaders to allow it to re-establish its monopoly. It is expected to use the new rules to force western agencies into sharing proceeds from their arrangements with China's banks and stock and commodities exchanges.

Representatives of western news agencies cast doubt, however, on Xinhua's ability ultimately to control the flow of business information. These agencies are increasingly disseminating material through the Internet under arrangements with organisations such as CompuServe.

Xinhua employs some 4,500 people in its wire service and 40-odd newspapers, among other activities. But it is widely regarded as a stodgy organisation which is having trouble adapting to the modern era. It has not been particularly successful in its efforts to become self-financing.

See editorial comment

Tony Walker

ASIA-PACIFIC NEWS DIGEST

China accuses military envoys

The US has expressed concern over a demand by China that an American and a Japanese military attaché be withdrawn by their governments because of alleged spying. In Tokyo the Japanese Foreign Ministry admitted that Col Kenji Maetani had trespassed and said Japan would recall him. But it maintained that he and Lt Col Bradley Gerdes had unintentionally strayed into a southern Chinese military site in a taxi during an official visit to the area last week.

Mr Nicholas Burns, State Department spokesman, said in Washington that no decision had been taken on whether Col Gerdes, whom he also denied was spying, would be withdrawn. He said the Chinese handling of the incident "causes great concern here in Washington". Mr Shen Guofang, Chinese Foreign Ministry spokesman, said: "The irrefutable evidence shows that their actions were deliberate and premeditated." He demanded their governments recall both diplomats before tomorrow. *Foreign Staff, London*

Australia, Singapore in accord

Australia and Singapore yesterday issued a joint declaration on economic and defence matters, with Singapore specifically recognising Australia's role in regional affairs. Singapore also pledged to co-operate on forging links between the free trade area being established within the Association of South-east Asian Nations, and the existing free trade area between Australia and New Zealand. The signing of the declaration was timed to coincide with a one-day visit to Singapore by Mr Paul Keating, Australia's prime minister.

On the defence front, the declaration reaffirmed the two countries' backing for the "five-power defence arrangement", which ties Australia, New Zealand and the UK to the defence of Singapore and Malaysia. *Nikki Tait, Sydney*

NSW downgrades Queen's man

New South Wales' Labor government yesterday appointed a part-time state governor and stripped away many of the trappings of the office, thus reigniting debate over whether Australia should cut its ties to the British monarchy and become a republic. The British monarch is head of state of each of the country's six states separately, and is represented in each case by a state "governor". The NSW government said Mr Gordon Samuels, a lawyer, would not use Government House, but work instead from a Sydney office building and live in his own beachside home. *Nikki Tait*

■ Mr Alan Bond, the Australian businessman, and Mr Peter Mitchell, a former director of his Bond Corporation group, were committed for trial in the Western Australian courts on charges of conspiracy to defraud involving more than A$1bn (£483m). *Nikki Tait*

■ The Reserve Bank of Australia said in its January bulletin "signs are emerging that inflationary pressures are being contained", and the annualised rate should peak during the first half of 1996 before moving back into the desired 2-3 per cent range. *Nikki Tait*

■ Japanese companies' cuts in gifts to valued contacts was a feature in a 2.9 per cent fall in department store sales in Tokyo last year, the fourth year of decline, the Japan Department Stores Association said. *William Dawkins, Tokyo*

■ The New Zealand Reserve Bank appears unlikely to ease its tight monetary policy after underlying inflation reached 2 per cent in the December quarter, at the top of its target range. *Terry Hall, Wellington*

NEWS: INTERNATIONAL

Iraq to open oil sale talks with UN

By Michael Littlejohns at the United Nations

Iraq has agreed to open talks with the United Nations on the possible sale of up to $2bn (£1.3bn) worth of oil, but officials in New York seemed sceptical last night about Baghdad's real intentions.

The Iraqi decision was conveyed formally to Mr Boutros Boutros Ghali, UN secretary-general, in a short letter. The move coincides with the fifth anniversary of the start of full-scale hostilities in the Gulf War.

Some diplomats said the decision to hold talks, which may be conducted by Mr Tariq Aziz, Iraq's deputy premier, could be linked to proposals in the Security Council for a mission to Baghdad to study the effects of economic sanctions on the civilian population. It was partly to relieve the plight of civilians that the Council agreed last April to allow a limited Iraqi oil sale. Baghdad rejected the conditions, including strict UN controls, as violating its sovereignty.

Mr Aziz was quoted as saying Iraq still objected to the terms of the Council's measure, Resolution 986, with "no change in our stand" towards a document Baghdad had already rejected.

Oil markets were unsettled by the Iraqi move. But industry analysts were uncertain whether Baghdad would drop long-held demands for greater control over the proceeds from any oil sale.

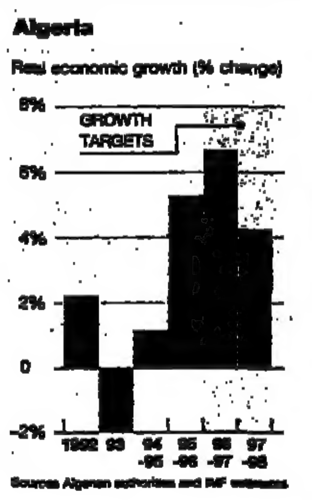
"There are growing economic pressures on Saddam Hussein," Mr Vahan Zanoyan, a consultant with the Petroleum Finance Company in Washington, said. "If dropping the previous demands delays his demise, then he might be willing to swallow a bitter pill. If not, he won't."

The UN has repeatedly urged Iraq to implement the resolution, but has no mandate to negotiate relaxation of its terms. Mr Boutros Ghali is expected back in New York today, and a statement is likely. But he has little room for manoeuvre.

IMF chief praises Algerian reforms

Camdessus says controversial credit facility is helping move to market economy

Mr Michel Camdessus, managing director of the International Monetary Fund, yesterday lavished praise on Algeria's economic performance. On a two-day trip to Algiers, Mr Camdessus, a strong supporter of the controversial IMF programme in the country, told Algerians he had the "privilege to be associated with a venture that works".



Camdessus: Algeria is a venture that works

His trip follows the IMF's first review of its programme of economic reforms, which, according to bankers and economists, registered mixed results.

Under pressure from France, the Fund granted Algiers a three-year $1.8bn (£1.2bn) extended credit facility last May to replace the $1bn stand-by credit granted in 1994. This move was in defiance of calls for restraint by many economists and Algerian opposition figures, who insisted that economic reforms required investments which could be achieved only with a political solution to the Algerian crisis and that any funds provided were bound to be diverted towards maintaining security.

While agreeing that sustained growth requires a solution to the crisis, the IMF has maintained that, in the meantime, it can at least help Algeria set up the framework of an open market economy.

According to a senior IMF official, the November review found that Algeria was likely to register between 4.5 per cent and 4.7 per cent growth in the programme year which ends in March, against IMF projections of 5 per cent, although the growth is driven by agriculture (up 20 per cent), rather than industry, which by the end of 1995 was registering negative growth. Inflation, projected at between 13 per cent and 15 per cent, was running at above 20 per cent.

The IMF, however, said that the higher inflation was due to the government's decision to accelerate the reduction of subsidies, which the Fund views in a positive light. In any case, the continued drawing of credit by Algeria is based not on these macro-economic results but on a set of seven performance criteria.

In its review, the Fund found that, at the end of September, Algeria had met five of these criteria. Because it deemed that missing two criteria was due to temporary and external factors, the IMF staff recommended contining the programme.

The Algerian government implemented all structural changes agreed with the IMF, exceeding them in some cases, such as in the lifting of subsidies. On what the Fund says is the most important criteria, the budget deficit, the IMF official said Algeria was running a deficit of 1.2 per cent of gross domestic product, against a projection for 1995-1996 of 1.3 per cent.

However, foreign exchange reserves failed to meet their target. At the end of September they stood at about $1.9bn – or two months' imports – instead of the $2.3bn estimated by the Fund. The fall in reserves was due to unexpected increases in the price of cereals, which Algeria imports, as well as the lack of export guarantees which forced the government to pay cash for imports in 1995. Because local importers and companies were unable to secure lines of credit, domestic credit expansion – another performance criteria – was higher than the IMF wanted.

In a press conference reported by the official Algerian news agency, Mr Camdessus yesterday defended Algeria's failure to meet the reserve criteria, insisting it was beyond the control of Algerian authorities. Only France, Italy and Belgium still provide Algeria with export guarantees, while the US provides credits for cereal exports. The IMF said it expected other countries to resume cover once the rescheduling of Algeria's public debt, agreed by the Paris Club of creditor governments last summer, is finalised in bilateral agreements, a process which will be completed by March.

Bankers who follow the Algerian economy, however, said it would take years for export agencies and banks to regain confidence in Algeria. "Given a choice, few would put money into the country unless they have a political reason to do it," one banker said. These bankers worry that if the country fails to meet the $1.6bn projected increase in gas exports this year, it will be in need of fresh credit or be forced to cut down on imports.

One agency likely to keep the funds flowing, however, is the World Bank. According to Mr Daniel Ritchie, director of the Maghreb and Iran department, said the bank would agree with Algiers this year a $400m structural adjustment loan with requirements focusing on a programme of privatisation and the restructuring of the financial sector. Mr Ritchie says privatising Algeria's huge public enterprises operating at 50 per cent capacity is unrealistic at this time.

This is why the Bank's programme seeks to privatise up to 15,000 enterprises owned by local governments. These restaurants, bakeries, construction companies and the like require small investments and fewer lay-offs.

Roula Khalaf

South African TV dispute worsens

By Mark Ashurst in Johannesburg

South Africa's Independent Broadcasting Authority has warned the South African Broadcasting Corporation that it may close its three television channels if it proceeds with plans to increase programming in African languages.

Advertisers were astonished by the authority's 11th hour response to the proposed revamp, due to begin on February 4, of public service television. "The changes had been viewed as a *fait accompli*.

"How can the IBA have such power over a change in format?" said Mr Ken Vareges, an executive member of the Media Association of South Africa. Mr William Lane, a member of the Authority, recognised the disruption caused to advertisers and the SABC but insisted it was legally bound to hold a public inquiry before considering amendments to broadcasters' licences.

The controversy has exposed the fraught relations between the new regulator and the SABC, the former mouthpiece of the National party government, which enjoys a virtual monopoly of the electronic media but will face unprecedented competition when the authority grants licences to new commercial broadcasters.

The SABC's existing licences were issued under the previous government, but have been retained pending the outcome of the authority's public inquiry into the future of public service broadcasting.

They stipulate that programming should be "predominantly English and Afrikaans" on the broadcaster's single nationwide terrestrial network, and "predominantly English" on its two subsidiary networks.

Mr Lane said the SABC'S application for its highly publicised R15m relaunch had been submitted only on December 21, which left insufficient time for public hearings before the scheduled launch date. The SABC's plans to broadcast at prime time in all 11 of South Africa's official languages have brought harsh criticism from organisations representing Afrikaans speakers.

About 80 per cent of the corporation's revenue is from advertising. The balance comes from licence fees which some Afrikaans speakers have threatened to boycott. Mr Vareges said advertising budgets worth more than R80m a month had been allocated "on the basis of gut feel by clients who have no idea what the audiences will look like".

English, the country's only international language and the most popular second language of all South Africans, retains the lion's share of airtime in the SABC's proposed programme schedules. Afrikaans programming would be reduced from 35 per cent of airtime on each of two television channels, to about 14.5 per cent of airtime on a single channel.

Mr Ken Modise, SABC spokesman, said the broadcaster would modify the new schedules to comply with existing licences, while introducing "new programming which better reflects the diversity of cultures and languages within our country".

He suggested the public should have the opportunity to assess revised channels before making submissions to the IBA. "There's a lot of merit in that, but that's not what the law says," commented Mr Lane.

INTERNATIONAL NEWS DIGEST

Arafat fears poll disruption

Mr Yassir Arafat, leader of the Palestine Liberation Organisation, said yesterday he had telephoned Israeli prime minister Shimon Peres amid fears that Jewish extremists might disrupt voting by Palestinians in east Jerusalem. Mr Arafat said Mr Peres had said he would do his best to facilitate the issue.

Palestinians will vote on Saturday at five post offices in east Jerusalem, as well as at polling stations throughout the West Bank and Gaza Strip. The balloting in east Jerusalem has enraged some Israelis who see it as an infringement of Israel's sovereignty over the disputed city. Police fear that thousands of right-wing activists will go to east Jerusalem to disrupt the voting. *AP, Jericho*

Ethiopian debt written off

Creditors have agreed to write off up to $250m (£162m) of Ethiopia's $270m commercial bank debt, the World Bank said. Mr James Adams, head of the East African department, said talks were under way to write off the remaining $20m within two weeks. Ethiopia, one of Africa's poorest countries with a per capita income of less than $100 a year, received the debt elimination deal under the bank's Commercial Debt Reduction Programme, Mr Adams said. He said Britain and the Netherlands paid $6m each while the World Bank, through its International Development Assistance (IDA) arm, granted $21m towards the debt relief.

Mr Sufian Ahmed, Ethiopia's finance minister, pointed out that it was a small portion of the country's $4bn external debt. The minister said his country would discuss with Russia a debt of millions of dollars, mostly accumulated through military equipment. The former Soviet Union supplied Ethiopia's deposed Marxist regime. *Reuter, Addis Ababa*

Mubarak plea on investment

Egyptian President Hosni Mubarak has appointed eight new governors in key provinces and urged them to remove all obstacles hindering investment and the setting up of small businesses, Egyptian newspapers said yesterday.

Al-Ahram newspaper said Mr Mubarak's new appointments were aimed at giving impetus to the government's drive to encourage investment and development in the provinces.

President Mubarak changed his government this month, naming Mr Kamal Ganzouri, who was planning minister, to replace long-standing prime minister Atef Sedki. Mr Ganzouri and his economic ministers have promised accelerated privatisation, new investment incentives and less bureaucracy. *Reuter, Cairo*

Muzorewa to challenge Mugabe

Zimbabwe's first black prime minister said yesterday he would challenge Robert Mugabe, president for 15 years, in elections in March. Bishop Abel Muzorewa, 71, who heads the small United Parties opposition group, said he was running to combat official graft, economic mismanagement and a climate of political oppression created by Mr Mugabe's ruling party.

Mr Muzorewa is expected to garner a small protest vote but is seen as no threat to Mr Mugabe, whose Zimbabwe African National Union Patriotic Front party captured 147 of the 150 parliamentary seats in general elections last year.

The only other candidate is Rev Ndabaningi Sithole, 76, a former Mugabe ally who is leader of the Zimbabwe African National Union Ndonga opposition group. He will be disqualified if convicted before March 16 of leading an assassination attempt on Mugabe last August. *AP, Harare*

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NEWS: WORLD TRADE

Swiss and US companies lead Russian investment league

By Frances Williams in Geneva

Swiss and US companies are now the leading investors in Russia, *accounting for half of* foreign direct investment, according to the United Nations Economic Commission for Europe.

Russia's stock of foreign direct investment (FDI) jumped by a quarter in 1994 to just over \$3bn and rose further to \$3.3bn at the end of June 1995, the ECE notes. About 60 per cent is in mining and manufacturing industries, notably in energy and engineering.

However, Russia remains a less attractive location for FDI than some of Moscow's former satellites, now in the vanguard of the transition to market economies.

Hungary has attracted three times as much *FDI as Russia* while Poland and the Czech Republic also have higher FDI stocks.

Based on data for committed capital in Russia (\$3.7bn at the end of June 1995) Swiss companies topped the investor rankings in 1994 with 29 per cent of the total, followed by US companies with 21 per cent.

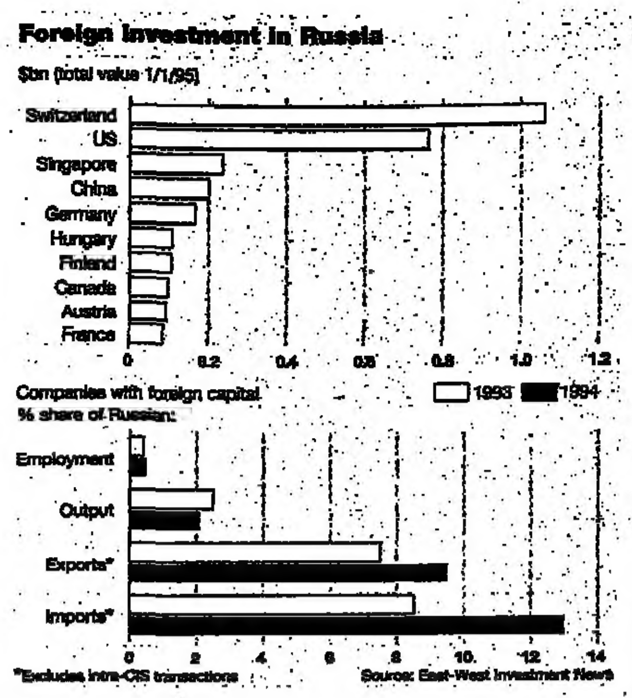
The European Union, which accounted for nearly half Russian direct investment at the end of 1993, had only a 20 per cent share a year later. Singapore (7 per cent) and China (6 per cent), with substantial investments in Russia's Far East, beat Germany (5 per cent) into fifth place.

US involvement in Russia has been most marked in the oil and gas exploration sector – but Swiss interest appears to be extremely varied. Reported deals over the past year have included investments ranging from steel-making to shopping centres and from computers to potato crisps.

The ECE notes that companies with foreign capital boosted payrolls five-fold between 1990 and 1994 at a time when total Russian employment shrank by 8 per cent, and paid their workers 50 per cent more than the average. Though "foreign investment enterprises" still account for only 0.5 per cent of overall employment, *they contribute* more than 2 per cent of total output and a much higher proportion of foreign trade.

In 1994 they accounted for nearly 10 per cent of Russian exports and 13 per cent of imports (excluding trade within the Commonwealth of Independent States), generating a trade surplus of more than \$1bn.

East-West Investment News, Winter 1995. UN Sales Section, Palais des Nations, CH-1211 Geneva 10, fax +41 22 917 0084, \$30 a year for four issues.



Britain eyes Cuban deals

By Pascal Fletcher in Havana

The Commonwealth Development Corporation, the British *government's development* finance institution, plans to open an office in Cuba and is identifying investment opportunities which could include the electricity sector, financial services, industry and agriculture.

The UK body had \$510m of investments and commitments in the Caribbean and Central America and so its entry into Cuba was a "natural extension", according to Mr Roy Reynolds, CDC chief executive.

The British government has acted to intensify trade and investment relations with Cuba despite a US economic embargo against the communist-ruled island. British-Cuban relations have been boosted over the last 18 months by a series of high-level visits and an investment promotion and protection agreement. British companies are active in sugar harvest financing, agrochemicals, cigarette manufacturing, investment and oil exploration in Cuba.

Mr Reynolds said CDC operations in Cuba could act as a model and catalyst for future British and other investment on the island. The CDC, which operates in more than 50 countries, will hold talks with Cuban government officials over the next six months to identify sectors in which specific, detailed investment proposals could be drawn up.

Mr Reynolds said that he saw the electricity sector, financial services, agriculture and industry as promising target sectors. The Cuban authorities had proposed other investment areas, one of them being tourism.

The CDC works with the private sector and only supports commercial projects.

Cuba has increasingly opened its economy to foreign investment but the government is still cautious about allowing more private enterprise on a national level, preferring to keep a dominant role for the state.

The US embargo and stalled debt negotiations have blocked Cuba's access to fresh medium- and long-term overseas credits.

The Cuban government is seeking foreign development financing to help haul the economy out of the severe recession caused by the collapse of past trade and aid ties with the former Soviet bloc.

EBRD backing for \$34m Warsaw office development

By Andrew Taylor, Construction Correspondent

The European Bank for Reconstruction and Development and Generale Bank of Belgium are providing \$20m to develop a Warsaw office block to help alleviate the acute shortage of commercial space in the Polish capital.

It is the second large office development in the city to be financed by the EBRD.

The latest development, the Sienna Centre, is to be built by two Belgian property companies, NV Buelens and Compagnie Immobilière de Belgique, and is expected to cost \$34m.

The building will provide 26,000 sq metres of space and is due to be completed in 1997. The space is needed by domestic and foreign companies which have found it difficult and expensive to acquire suitable business premises.

EBRD also arranged \$24m finance for the \$36m Atrium Business Centre completed last year by Skanska, Sweden's biggest construction group. The building is fully let at the current top rent of \$45 a square metre a month in the central area.

A recent study by Jones Lang Wootton, international property consultants, found Warsaw the fourth most expensive European office location behind London, Moscow and Paris.

Mr Marc Mogull, EBRD property and tourism director, said: "Private sector development in Poland is accelerating and Warsaw is increasingly seen not just as the country's business capital, but also as an important regional centre."

The bank estimates that unsatisfied demand for modern office space in the central district is running at 60,000 sq metres a year compared with 120,000 sq metres of modern space currently built in the city centre.

A Polish company, Waresco, has been established by the Belgian property developers to design, build and manage the Sienna development. EBRD and Generale Bank will provide Waresco with a senior loan of \$17.5m. EBRD is also providing \$2.5m subordinated loans.

Morocco wakes up to needs of the investor

Foreign companies face fewer obstacles, writes **Roula Khalaf**

The SGS-Thomson semiconductor factory in Casablanca has become a stopping-off point for foreign executives contemplating investment in Morocco.

Potential investors often choose to visit the site to hear Mr Georges Auguste, the French company's managing director, tell a success story about foreign investment in Morocco.

Following the association agreement with the European Union, initialled late last year, Morocco is seeking more investment to raise stagnating industrial exports and help upgrade its industry.

Although foreign investment has jumped nearly tenfold in the last decade – led by France and much of it going into industry and banking – it was only Dh4bn (\$470m) in 1995 and has been erratic in the last few years.

The government is especially seeking large-scale industrial investment and is courting Daewoo of South Korea to establish an electronics plant in Morocco. The proposed \$200m plant would manufacture electronic goods for export and create 3,000 jobs. "It would be the most important single investment in Morocco," according to one official.

However, stifling bureaucracy, an unreliable justice system and a poorly qualified workforce are often cited as obstacles to investment, despite relatively cheap labour costs. At a time of reform – including a new investment code and commercial tribunals to settle disputes – SGS-Thomson's experience is an illustration of how setting up in Morocco can be rewarding.

The company, which now derives as much as 15 per cent of its \$2.6bn in revenues from its Morocco operation, arrived some 40 years ago – first producing radio communication equipment for the local market. Since 1980 the company has assembled and tested semiconductors for export.

As it exports 100 per cent of its production, it enjoys duty-free status for its imported materials. Mr Auguste says proximity to Europe and an abundant workforce make Casablanca an attractive base.

But progress had not always been smooth. "Six years ago, the question was whether we should shut down," says Mr Auguste. The Casablanca factory's productivity levels fell behind Thomson factories in the Far East, forcing the company to make a choice between massive restructuring or relocating to Malaysia.

Over three years, Mr Auguste reduced his staff of 3,200 by half through severance packages and the placement of workers with other companies. Some workers were laid off, sent on a two-year training course and then rehired.

Since the end of the restructuring in 1993, SGS-Thomson has shown both the Moroccan authorities and the workers the merits of its moves.

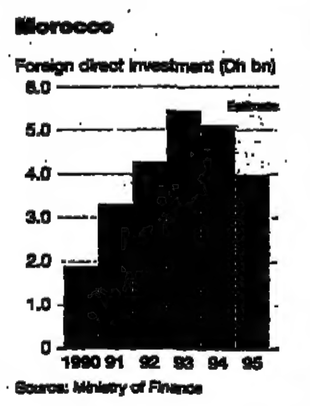
Between 1993 and the first half of 1995, the company has ploughed \$52m back into the business and Mr Auguste has rehired as many people as he had made redundant. The same total number of employees are now producing three times as many semiconductors and the rate of defects is one tenth of previous levels.

"We always compare ourselves with Malaysia, which is our most efficient factory, and the workers understand that *this is who they are competing* against," says Mr Auguste.

Almost halfway on the road from Casablanca to Marrakesh, in the town of Settat, Mr Roberto Voltolina of Cristalstrass has a similar story.

He relates how his family moved to Morocco from Venice in 1984 to set up a crystal pendants factory, which has since become one of the world's leaders manufacturing crystal pendants for chandeliers. Nearly 40 per cent of production is exported to Gulf countries, where crystal chandeliers are popular.

The Voltolinas were attracted by two things: an investment law which allows 100 per cent foreign ownership and cheap labour costs which are four to five times less than in Italy. Starting with 150 workers in 1984, Cristalstrass now employs 1,000 people, for whom it has provided training, and expects to make Dh100m in revenues this year.



The Moroccan government put few obstacles in Cristalstrass's way. Mr Voltolina attributes this to the family's choice of headquarters in Settat. "Settat was a town that was being developed and they wanted it to work, so we found on the part of the authorities all the help and the co-operation we needed," says Mr Voltolina.

"We are now the most important factory here and had we been in Casablanca, we would have been one of many big industries and would not have received the attention we got here."

Like SGS-Thomson and Cristalstrass, new investors in Morocco will have to pay attention to the export market. Much of the foreign investment that went into Morocco in the last few years was for local production and companies were up against competition at a local level.

As trade barriers to European products come down, these companies are set to face a difficult task in gaining market share in a more competitive arena.

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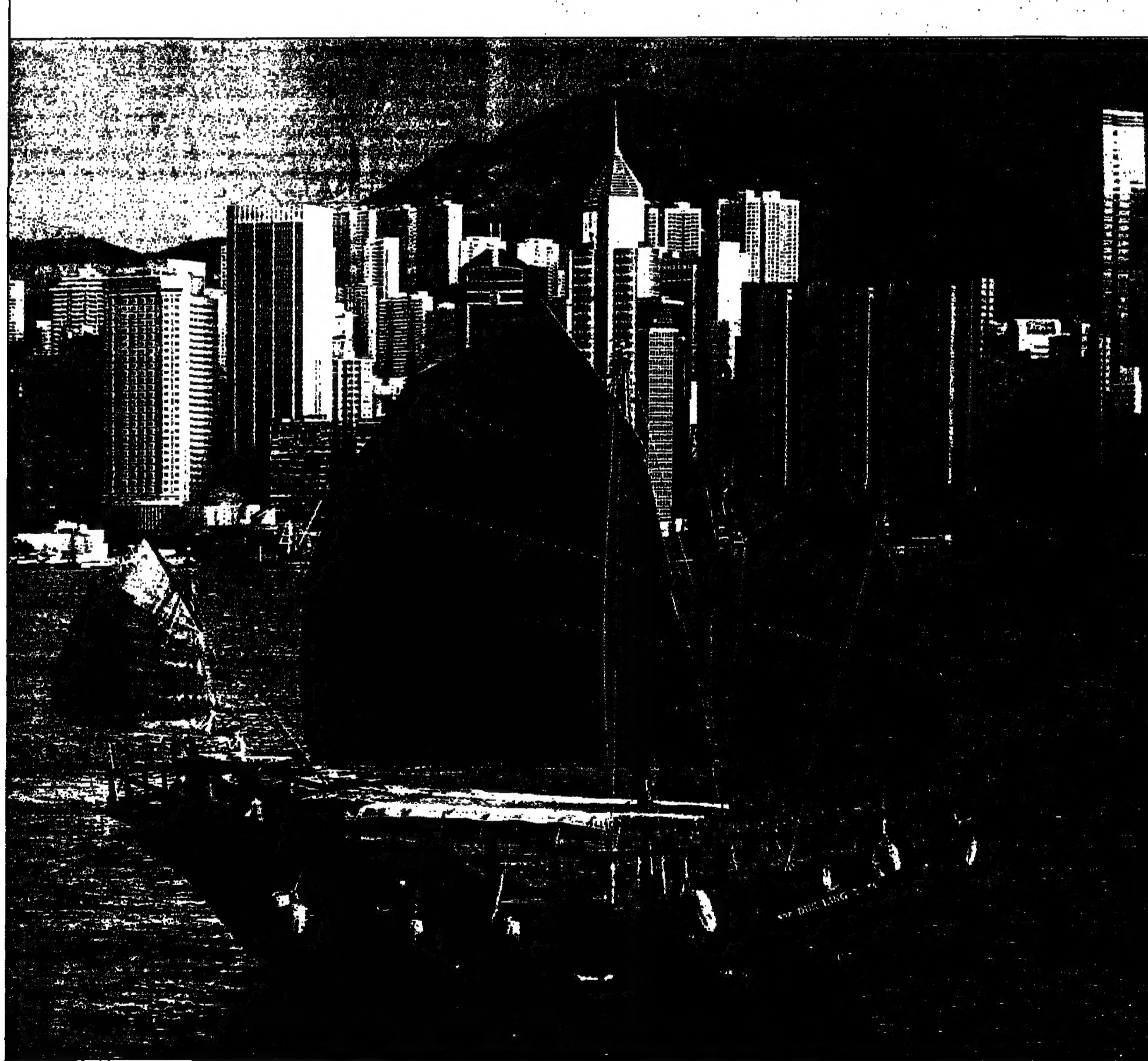

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IBM faces $249m bribes probes

By David Pilling in Buenos Aires

International Business Machines of the US is the subject of separate probes by the US Securities and Exchange Commission and the Federal Bureau of Investigation into allegations that its Argentine subsidiary paid bribes to win a $249m contract, Mr Adolfo Bagnasco, the judge investigating the case, said yesterday.

The FBI and the SEC had recently informed the federal judge that they were about to begin investigations into the IBM case within Argentina, Mr Bagnasco said.

Further meetings with officials from both US bodies had been scheduled for later this month, partly to "exchange information".

Mr Bagnasco is conducting a criminal investigation into allegations that IBM Argentina, a fully owned subsidiary of IBM, paid bribes to win a $249m contract to upgrade computer systems at state-owned Banco Nación.

Those accusations, denied by IBM, resulted in the resignation last September of several top executives, including the presidents of both IBM Argentina and Banco Nación.

Mr Fred McNeese, a spokesman for IBM, confirmed yesterday that the company was co-operating with SEC and FBI probes. "The SEC and the Justice Department have requested information from IBM concerning our operations in Argentina. We are providing that information," Mr McNeese said.

He added that IBM's internal investigations were continuing, but the company maintained its position that its executives had been guilty of "poor business judgment" and a lack of management control, but not bribery.

Argentine investigations centre on the seemingly inflated price of the contract, particularly the $37m in fees that IBM agreed to pay two sub-contractors.

Mr Bagnasco said he was still waiting for a reply from Swiss authorities to his request, relayed by the Argentine Foreign Ministry, that they reveal the ownership of a bank account at Banque Bruxelles Lambert.

Around $9m paid by IBM to its sub-contractors was allegedly diverted to that account, he said.

Mr Bagnasco also said he had taken evidence from several officials of Deloitte & Touche, which advised IBM in the Banco Nación contract. Further officials from the accountancy firm, whose Buenos Aires offices were raided by court officials last September, would probably be called to testify, he said.

Mr Bagnasco said he would also be interviewing Mr Ricardo Martorana, former president of IBM Argentina, and Mr Aldo Dadone, former president of Banco Nación. He estimated that by March he would be in a position either to press charges or terminate the investigation.

Neither the SEC nor the Justice Department would confirm or deny that they were probing the affair. The SEC said: "If there were suspected security rule violations, then it would be our duty to investigate. Our responsibility to enforce such laws as they apply in the US is not affected by borders."

US Fed records modest growth

By Michael Prowse in Washington

The US economy grew at a "generally modest pace" at the end of last year, the Federal Reserve said yesterday in its latest "beige book" guide to regional trends.

The Fed said retail sales fell below expectations over the holiday period in most areas. Member banks in Atlanta, New York, Philadelphia and Richmond reported slower manufacturing activity but other districts said industry was continuing to operate at a high level.

Companies reported generally stable prices, although shortages of skilled labour were cited in some areas.

The Fed report – which covers the month to early January – provides the first snapshot of recent economic trends following the statistical blackout caused by the budget impasse in Washington.

Separately, Mr Thomas Hoenig, president of the Kansas City Fed, predicted moderate economic growth of 2-2.5 per cent this year. He said there was some anecdotal evidence of tightness in labour markets but that it had not shown up in inflation numbers.

In other economic reports yesterday, the Conference Board, a New York business analysis group, said the index of leading indicators fell 0.3 per cent in November, following a 0.5 per cent drop in October. However, owing to the government shutdown the index contained only 8 of its normal 11 components. The index, formerly published by the federal government, is intended to predict turning points in economic activity.

The Commerce Department said the US trade deficit fell slightly from $8.2bn in September to $8bn in October. Financial markets had expected a deficit of about $9.1bn.

Exports fell 1.1 per cent to $66.7bn but this was more than offset by a 1.2 per cent drop in imports to $74.8bn.

AMERICAN NEWS DIGEST

Moslem bomber sentenced in US

The first of 10 Moslem militants convicted of plotting a "war of urban terrorism" in the US was sentenced yesterday to spend 35 years in prison. Mr Victor Alvarez, a follower of radical cleric Sheikh Omar Abdel-Rahman, proclaimed his innocence at the heavily guarded sentencing hearing in federal court. The sheikh and eight of his other followers were scheduled for sentencing throughout the day.

The blind cleric and his followers were convicted on October 1 of planning the bombing of the United Nations, bridges and tunnels in New York and the assassination of Egyptian President Hosni Mubarak and other political leaders. In pleading for a lesser sentence, Alvarez, clad in blue prison garb and a white skullcap, read excerpts of taped conversations between a secret government informant and the accused plotters, arguing he was unaware of their plans.

Reuter, New York

Lloyd's to pay over Exxon spill

Exxon said yesterday it would receive $300m in a partial settlement of its lawsuit against Lloyd's of London and other underwriters to recover insurance for a portion of its expenses as cargo owner arising from the Valdez oil spill in 1989. It said under the terms of the agreement the underwriters would reimburse the funds for "certain costs associated with the accident and resultant oil spill".

Exxon chairman Mr Lee Raymond said he was pleased with the partial settlement, but noted that the corporation still had "substantial" Valdez-related insurance claims pending with Lloyd's and other underwriters that remained unresolved. A trial date of April 8 1996 has been set in Texas to address those claims.

AFX News, London

Brazilian officials captured

Four Brazilian government officials have been taken hostage in the eastern Amazon by a group of Tembe indians, who are demanding the government clear their reservation of illegal loggers and farmers. The officials, who work with the government's national indian foundation, Funai, were taken to a village in the Alto Rio Gama reserve on the border between the northern states of Pará and Maranhão. Funai was yesterday trying to contact the indians to negotiate the officials' release.

Hostage-taking is not uncommon in indian disputes. However, the latest incident comes a week after the Brazilian government changed the law on the demarcation of indian lands, triggering anxiety among indian groups that their reserves would be threatened.

Angus Foster, São Paulo

Gingrich sister targets anti-gays

The sister of Mr Newt Gingrich, the conservative speaker of the House of Representatives, is about to embark on a mission to rid Congress of anti-gay lawmakers in the next election. As part of the nation's largest gay political lobby, the lesbian activist will tour the country this year to encourage people to vote for candidates sympathetic to homosexual issues.

Brother Newt is safe. But North Carolina Senator Jesse Helms and California Representative Bob Dornan should beware – Candace Gingrich wants both conservative Republicans to be sent out of office. "I think that Jesse Helms is an obvious target because he has so long been not just a foe of gay rights, but an active, persistent, obsessed foe of gay rights," Ms Gingrich said. Mr Dornan has been an outspoken critic of gays in the military.

AP, Los Angeles

Blinder resigns as Fed board vice-chairman

By Jurek Martin in Washington

Blinder: back to university

Mr Alan Blinder yesterday said he was resigning as vice-chairman of the Federal Reserve board when his term expired at the end of this month, to return to teaching at Princeton University.

Mr Mike McCurry, the White House press secretary, said the departure of Mr Blinder, associated with anti-recessionary low interest rate policies, did not mean that President Bill Clinton had decided to renominate Mr Alan Greenspan for a third term as chairman, effective from March. He said the president would make that decision "in due course."

At one stage the administration had seen Mr Blinder as a potential successor to Mr Greenspan, but last year switched to considering asking Congress to confirm both men in their present posts as a package. The chairman is popular on Capitol Hill and in the financial markets, which both view Mr Blinder, appointed by Mr Clinton to the Fed in 1994 after a stint on the White House council of economic advisers, with suspicion.

Mr Blinder had long talked of returning to Princeton, where his tenure could have been threatened by an extended absence in Washington. But evidence also existed in Fed open market committee meetings of policy conflicts with Mr Greenspan over successive interest rate increases in 1994, since partially rolled back.

The success of Fed policies and the perceived need of Mr Clinton's re-election campaign to keep the economy on an even keel probably means that Mr Greenspan can have another term if he wants it. The weakness of some recent economic data may point to lower interest rates in the months ahead.

Additionally, relations between the Fed chairman and the administration have been mostly smooth for the last three years, with relatively few complaints from the White House about the interest rate increases of 1994.

But shaping the Fed board remains a problem for Mr Clinton in the face of opposition from Republicans in Congress. He has been unable to fill the other board vacancy created by the resignation last year of Mr John LaWare, an appointee of President Bush.

Ms Alicia Munnell, a senior treasury official, was considered for the post, but resistance in Congress meant that her nomination never went forward and the LaWare seat remains empty. Finding an acceptable successor to Mr Blinder may prove equally difficult, with no obvious candidates in sight.

OBITUARY: BARBARA JORDAN

Great orator of US politics

Ms Barbara Jordan – congresswoman, civil rights leader, constitutional lawyer, university professor and, above all, one of the great orators of 20th-century US politics – died in Texas yesterday, aged 59.

The cause of death was cited as pneumonia, but she had been suffering from a neuro-muscular disease akin to multiple sclerosis for years.

Her imprint on public life spanned nearly two generations, from her early campaigning in her native Houston for the Kennedy-Johnson ticket in 1960, as the first black elected to the Texas senate later in the decade, through six years in Congress from 1973 to 1979, up to her chairmanship of the special commission on immigration reform which issued its report last year.

But she will be remembered most of all for her extraordinary eloquence.

Twice, in 1976 and, from her wheelchair, in 1992 she electrified Democratic Party national conventions with her keynote speeches on, respectively, national unity and economic justice for all.

The first performance immediately vaulted her into the field as a possible vice-presidential candidate; she was subsequently interviewed for a cabinet position by president-elect Jimmy Carter. But she said she only wanted to be attorney-general, which he was not prepared to offer.

She had really burst on to the national stage in 1974 as a member of the House judiciary committee investigating Watergate, all captured on national TV. She spoke with such moral authority that no other panel member made a better case for the impeachment of President Richard Nixon.

Theodore White, the veteran chronicler of US politics, once described her oratory as "a flow of Churchillian eloquence, of resonance, boom and grip so compelling as to make one forget to take notes".

But she was also a hard-nosed practical politician. She was elected to the Texas senate only after the Supreme Court had ordered the state to redraw its electoral boundaries to reflect the principles of "one man, one vote." But once there, as later in Congress, she preferred to work within the system on issues such as unemployment compensation, aid to education and social security.

Jurek Martin

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Chile's private pension funds: fêted abroad, maligned at home

All new job entrants must join a private scheme, says **Imogen Mark**

Like many prophets, Chilean pension fund managers are fêted abroad but often ignored, distrusted or maligned at home.

The enthusiasm they provoke abroad stems partly from the way the social security scheme has prompted the development of a strong Chilean domestic capital market, where before there was little or none. The funds manage assets of $25bn, about 40 per cent of Chile's GDP, and are commonly credited with playing a central role in more than doubling domestic savings, from around 14 per cent at the beginning of the 1980s to 27 per cent of GDP last year.

In recent years, Argentina, Peru and Colombia have all set up variants of the Chilean model, and Bolivia, Ecuador, Nicaragua, and Paraguay are among others looking to do so. Missions have come from as far afield as China, Poland, Indonesia, Canada and the UK to study the scheme.

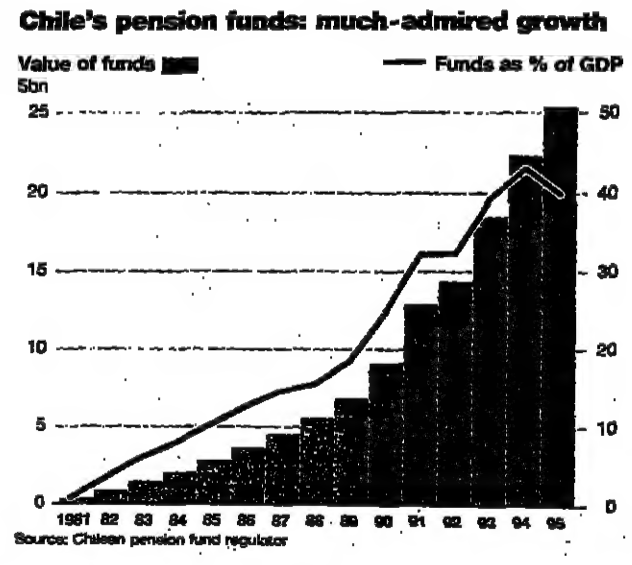
Like any private pension fund scheme, the Chilean system creates an individual capital account for each worker. A monthly contribution is deducted from wages by the employer, collected by the private fund manager of the worker's choice, and invested in capital markets.

Since 1981 the private funds have been the only pension plans on offer for new entrants to the workforce. A majority of those already working also transferred to them. By 2030 the private funds will in theory have taken over almost complete responsibility for providing pensions. The traditional state-run pay-as-you-go structure will have been phased out, and the state will be responsible for only a sketchy safety net for the few who fail to earn or save enough on their own. Its main responsibility will be to supervise the private system.

Recently, however, the success of the Chilean system has been called into question. A new report from Merrill Lynch argues private pension funds have been responsible only for 2 percentage points of the increase in savings, and corporate savings plus high growth account for most of it.

Ordinary Chileans are not impressed either. In an opinion survey, the private funds, known as AFPs (administradoras de fondos de pensiones) scored well below banks, public notaries and even stockbrokers on a scale of well-thought-of institutions.

Chile's pension funds: much-admired growth



Source: Chilean pension fund regulator

The reason, according to Ms Marta Lagos, the Chilean partner of Mori, the UK-based polling group, springs partly from ignorance of the AFP system. But it also reflects a broader lack of confidence in Chile's free market economy model. "Almost half our respondents said they didn't trust the current economic model, that it isn't stable, that the current success is just an Indian summer," Ms Lagos said.

Mr Julio Bustamante, who heads the state supervisory body for the AFPs, agrees that the industry has an image problem. "People often say they don't trust the system. They don't realise their savings are being invested in trucks and fishing boats, in productive activity. They don't understand the capital markets, they think it is all speculative investment and their savings are being gambled irresponsibly," he said.

It probably does not help that the new pension system was introduced by decree in 1981 by the military dictatorship of Gen Augusto Pinochet, with little information, much less public debate. The armed forces have themselves stayed in the old state system, alleging reasons of security, fuelling suspicion.

Many AFP clients also see little or no benefit from the system at present. The average client is a 32-year-old male employee more interested in financing a mortgage, school fees and a new car than a distant pension. At all income levels, most wage-earners prefer to pay at the lowest possible rate, despite handsome tax benefits for extra savings.

As yet there is not much direct experience of the end-product to help the public feel confident about the set-up. "We need to get to the stage where everyone has at least one relative or friend who is getting an AFP pension, then people will begin to accept that this works," said Mr Santiago Edwards, investment manager at Provida, the biggest AFP.

Pensions under the new system are at least a third higher than they would have been under the old, and of better quality because they are adjusted automatically in line with inflation, according to Mr Edwards. But most consumers compare pensions with their wages, not with historic averages, and find them lacking.

Moreover, only about half the active workforce of 5m is up to date with contributions. A hard core of about 1.5m AFP affiliates have made no payments into their accounts for more than a year.

There is a phenomenal turnover rate among active account holders – almost 1m people switched funds in 1994. Clients mostly feel no loyalty to their fund and many switch at the stroke of a pen.

Fierce competition among the AFPs to woo and then keep customers has almost quadrupled the industry's sales force in five years, pushing up costs. Although consumer freedom to change at will is central to the system, proposed changes in the law would allow the AFPs to offer commission discounts for customer loyalty.

The industry and the government are also looking at ways of protecting consumers from improper pressures when they approach retirement and must choose between buying a fixed annuity from a life insurance company or taking programmed withdrawals from the savings fund.

The choice involves complex factors, such as a view of future stock market performance and interest rate projections, which are well beyond the experience of most prospective pensioners.

Ideally, each customer should get expert advice and a tailor-made programme. In practice, illicit lists of prospective clients circulate among the insurance company agents and brokers, who then pursue their custom with home visits, offering a television, a trip or a share of the commission in return for their business. At best, the agents are ignorant, at worst, dishonest.

The system is expected to come under heavy fire this year. For the first time in their history the AFPs made negative real returns of 2.5 per cent in 1995. For the pensioners who opted to take programmed monthly withdrawals from their savings account rather than buying an annuity, the result will be a 12-15 per cent cut in their income this year, according to Mr Jonathan Callund, an employee benefits consultant.

In the active workforce, however, the effect of lower growth will almost certainly pass unnoticed. "Hardly anyone even looks at their regular balance sheet, with the record of their contributions and the total size of their fund," Mr Callund said. Which is probably lucky for the government, or discontent with the system could become more vociferous.

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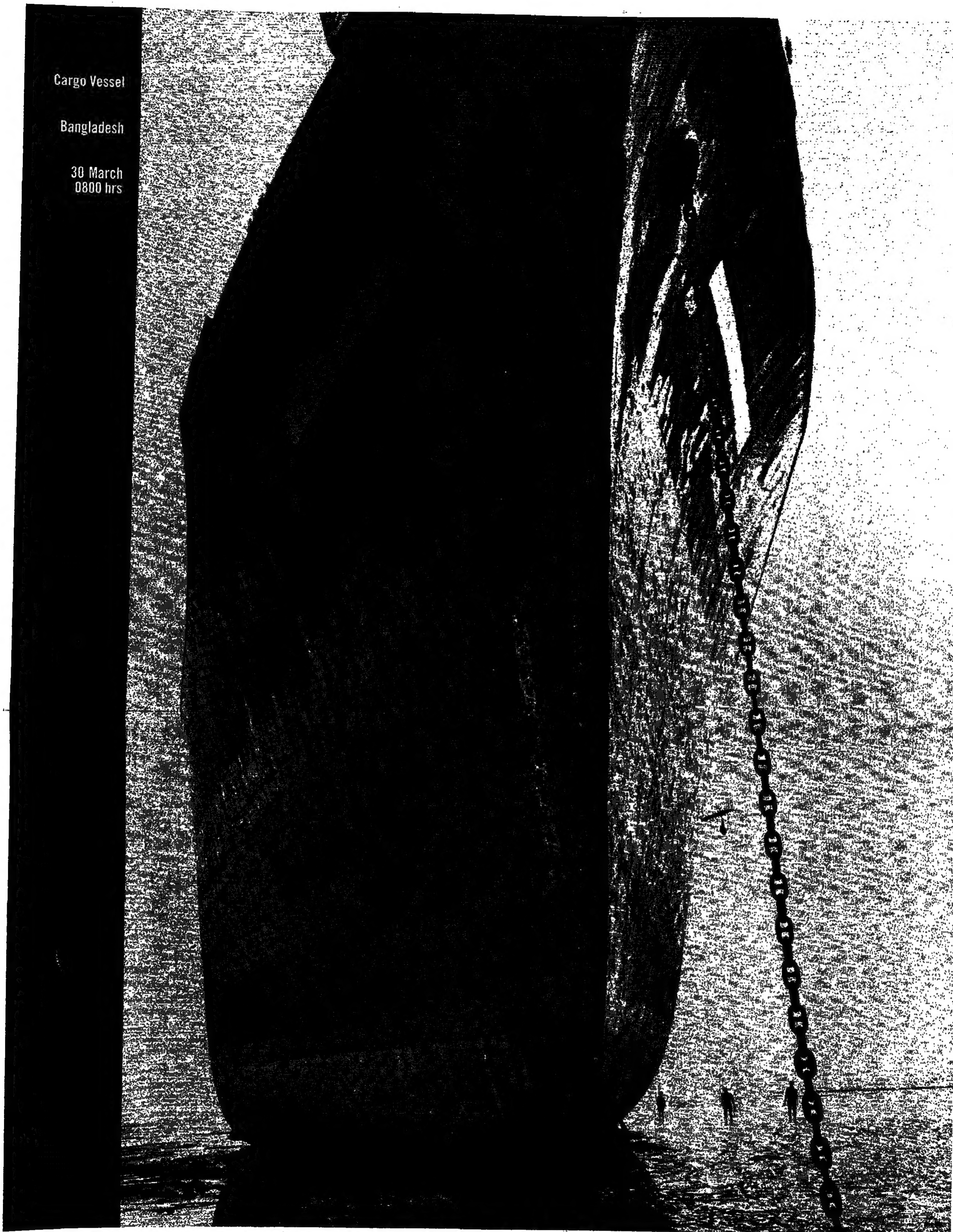

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Tories' controversial initiative may extend to Berlin

Private German funds may help build embassy

By Andrew Adonis in London and Judy Dempsey in Berlin

German companies may take a prominent role in funding the new British embassy building in Berlin under the British government's controversial Private Finance Initiative (PFI) – a means of encouraging private sector finance within state capital investment.

If the plan proceeds, German groups would be involved with raising money for the construction project, with the British government then making lease-type payments for use of the building.

The embassy near the Brandenburg Gate will cost some £20m ($30.8m) to build, and should be completed by 1999 to coincide with the federal government's planned move from Bonn to Berlin. A feasibility study is being conducted by consultants Schaal International.

The UK Treasury is set to more than triple its spending on promoting the controversial initiative in spite of sharp cuts in the rest of the department's activities. Funding for the Private Finance Panel – a Treasury-funded quango which oversees the PFI, the government's programme for boosting the role of the private sector in public investment – will rise this year from £800,000 ($1.23m) to £2.5m ($3.85m). The executive's senior staff are largely seconded from the private sector. They report to a panel chaired by Sir Christopher Bland, chairman of NFC, most of whose members are private sector chief executives.

One senior official said: "Frankly, few existing civil servants are up to pioneering the PFI, and it is essential to isolate the implementation of the policy as far as possible from the dead hand of the Whitehall machine."

More than 50 officials – including 24 seconded at the Private Finance Panel – are now dedicated full-time to the PFI, with a large number of others working on specific contract negotiations.

Sir Christopher said the panel's aim was to reach agreement on 150 PFI projects this year. So far most PFI projects have been in transport, health, Scotland and information technology. He told the House of Commons Treasury committee yesterday that there was "no shortage of private sector bidders" for PFI contracts.

PFI training courses for government officials, run by Price Waterhouse, start this week. Up to 10,000 officials will be sent on the two-day course – at £340 each – over the next 18 months.

But the PFI continues to attract strong criticism, with the leasing and construction sectors complaining at the delay and complexity involved in signing PFI projects while the Labour party claims that it is being used to obscure large cuts in government infrastructure spending.

Employee share ownership will be boosted under Labour's plans for a stakeholder economy, Mr Alistair Darling, the opposition party's City spokesman, will say today, *James Blitz writes.*

He will tell a conference of investment bankers that extending shareholding is an essential part of the stakeholder vision set out by Mr Tony Blair, the Labour leader.

Mr Darling, who has responsibility for his party's policy on financial regulation, will say that Labour may consider introducing measures to ensure that share ownership by staff is seen "not as some optional extra – or something unusual – but as the norm in our dynamic economy".

At a conference organised by Kleinwort Benson, the investment bank, he will argue that employee share schemes play an important role in providing motivation and incentives – and that long-term holding of equities is beneficial to the wider economy.

Confessor Mitchell set to reveal all

By John Murray Brown in Dublin and John Kampfner in London

In less than a week's time an American, a Canadian and a Finn will give their verdict on how – or indeed if – Northern Ireland's paramilitary groups can be persuaded to hand in their arms.

The report will be pivotal to efforts to turn a fragile ceasefire into a permanent peace. But the work of former Senator George Mitchell's three-man international body on decommissioning has been as secretive as it has been intense.

Since last November, the body has been hearing submissions from everyone who is anyone in the search for a political settlement. They have listened intently to all-comers, but have given virtually nothing away. "It's like sitting on a couch at a New York psychoanalyst's," said one senior official who has attended several meetings with the group. "They invite you to say everything that's on your mind, tell you that yours was an excellent submission – but you emerge none the wiser".

The work has been divided equally between Belfast and Dublin, with the odd foray to London to see Mr John Major.

With General John de Chastelain, a former Canadian chief of staff best known for his role in ending a bitter dispute with the Mohawk Indians; and Mr Harri Holkeri, a former Finnish prime minister, Mr Mitchell has been attempting to resolve in a matter of weeks a problem which has frustrated the sharpest minds on both sides of the Irish Sea for decades.

In the search for absolute impartiality, Mr Mitchell – a close aide to President Bill Clinton and former Senate majority leader – has employed a secretariat devoid of British and Irish staff. The group has a mailing address in both Belfast and Dublin. Questions from the press are redirected to Washington.

A menacing new year in N Ireland

Jan 1 "Direct Action Against Drugs" says it murdered Ian Lyons (30), shot while sitting in car with his 19-year-old girlfriend in the town of Lurgan. His is sixth killing claimed by DAAD since April 1995. Police say he was not "major figure" in drugs trade.

Jan 2 Cardinal Cahal Daly condemns Lyons murder, asks if Sinn Féin president Gerry Adams is being "undermined from within his own organisation".

Jan 3 Hit list of nine men and one woman accused of involvement in drugs trade in Ballymena area to north of Belfast is issued by "Protestant Action Force", alleged to be cover name for outlawed Ulster Volunteer Force; club owner in city of Armagh [illegible] after being threatened by Direct Action Against Drugs.

Jan 4 Progressive Unionist Party, a small anti-nationalist group, deplores vigilante attacks. Party chief David Ervine says: "Some of the drugs groups have been challenging the paramilitaries, and that is a dangerous thing to do."

Jan 5 Northern Ireland police chief Sir Hugh Annesley says of killings claimed by DAAD: "These murders are being sanctioned and carried out by the IRA."

Jan 9 Protestant Action Force names 14 men and a woman in Derry areas to south of Belfast who would be killed if they remained in Northern Ireland. They were "persona non grata for their depravation, thuggery and drug dealing activities". Ordinary members of the Protestant community were suffering from criminal acts undertaken by the 14 "to pay for their drug craving".

Jan 10 "Loyalists Against Thuggery", a previously unknown group, says it carried out "punishment beating" with baseball and cricket bats in County Down.

Jan 17 Same group says it was responsible after 23-year-old man is taken to hospital in Bangor, County Down, with gunshot wounds to both legs.

The British and Irish governments haggled for weeks over its remit. UK officials wanted it to be confined to the "how" decommissioning takes place, rather than "when".

It did not want a US-led panel to adjudicate on part of the conditions set down last March by Sir Patrick Mayhew, Northern Ireland secretary, during a visit to Washington; that the IRA must agree to the principle of decommissioning, the means of achieving it, and must take a first step before Sinn Féin, its political wing, is admitted to all-party negotiations. Sinn Féin said any physical gesture was tantamount to surrender.

Although the British are adamant that they are sticking by the demands, many decisions and meetings have been predicated on the assumption that something must be done to find a way around the impasse.

Although formally the body was not given the task at looking at wider political issues, at UK insistence, it appears to have done so. Its report is likely to address the call by pro-British parties in Northern Ireland for an elected assembly or convention to chart the path forward. This is seen as a means of allowing the nationalist Sinn Féin party to join talks.

For all the sensitivity, the Mitchell commission has so far been given the benefit of the doubt by all sides. The achievement is remarkable for a society whose political system is based on deep sectarian divisions and distrust.

There has been a flurry of demands for follow-up meetings, and Mr Mitchell has consulted not just the governments, the constitutional parties in the North, as well as Sinn Féin and loyalist groups, but security chiefs and other groups.

Mr Mitchell is aware that his personal reputation – and that of US administration involvement in general – is on the line. The meetings will end tomorrow. Then the three men will finalise their report, handing it to the governments a day before it is published simultaneously in London, Dublin and Belfast next Wednesday.

With each party ready to pick over each and every sentence, the task of satisfying everyone while not hiding behind a fudge is a monumental one. But Mr Mitchell knew that when he took it on, leaving all sides wondering just what he has up his sleeve.

CONTRACTS & TENDERS

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A. Convention centre of an International standard for 2000 persons with allied facilities including Airconditioning electrification S.I.S. system including Furniture and Furnishings for holding international conferences.	U.S. $10 million	1st January 1997 As the OIC Conference has been scheduled to be held in February, 1997
B. Monoment 250ft. high with 2 lifts - a stair, a viewing platform and restaurant for 120 persons at the top. (Design will be provided by the Capital Development Authority.	U.S. $10 million	1st March, 1997
PHASE-II		
A. BANQUET HALL To accommodate 2000 persons with all facilities of an International standard including Furniture and Furnishings.	U.S. $10 million	Work to be taken up after completion of phase-1 to be completed in 2 years time.

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viii) Are you familiar with Construction Management methods of project delivery, and has your company executed contracts under Construction Management System?
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- client
- consultant
- contract amount
- completion time
x) List your experience in similar projects
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UK NEWS DIGEST

Party grandees plot against PM

Plans to replace prime minister John Major are being canvassed by grandees in the governing Conservative party, destroying Mr Major's hopes that last summer's leadership election had ended speculation about his tenure. Respected backbenchers are preparing to put Mr Major under intense pressure to stand aside in favour of Mr Michael Heseltine, the deputy prime minister, after municipal elections in May which they expect to be disastrous for the party.

Some of them were among Mr Major's strongest supporters in the party leadership campaign last summer and are not those who previously opposed him on the Tory right. The prime minister's continued failure to end dissent in his party is one of the main reasons why MPs are again discussing his removal. But a senior member of the government said there was no possibility of the prime minister standing aside without a battle. "He is a fighter", the minister said. "If they really want to get rid of him, it will be fantastically bloody".

FT staff at Westminster

Case on EU law is lost

Eleven women workers lost the first round of a test case brought by their trade unions on behalf of thousands of part-time council workers who lost pension rights after their jobs were privatised. A judge decided that Lancashire County Council did not breach European Union law in failing to ensure that the workers' right to belong to an occupational pension scheme carried over into their new employment with BET Catering Services. The trade unions involved said they were extremely disappointed and were considering an appeal.

Because the women earn less than £15,000 ($23,100) a year, they are below the eligibility level for joining BET's scheme. The judge held that the European Council's "acquired rights directive" excluded pension rights and required member states to provide protection only for pension contributions accrued up to the date of privatisation. Yesterday's ruling affects about 3,000 former part-time employees of Lancashire Council and thousands of others across the country who were transferred from municipal labour forces to private companies through compulsory competitive tendering.

Andrew Bolger, Employment Correspondent

Saudi dissident lodges appeal

Mr Mohammed al Massaari, the Saudi dissident ordered out of Britain earlier this month, has lodged an appeal against his removal. Mr al Massaari said his appeal will be based on a claim that the Caribbean island of Dominica, to which Britain arranged to have him sent, is unsafe and a place where the Saudi authorities can easily attack him. Mr al Massaari said that, as a parallel measure, he is also launching a judicial review before the High Court in London. Until a decision is reached, Mr al Massaari can remain in Britain, where he has set up the headquarters for the Committee for the Defence of Legitimate Rights, an Islamist organisation that accuses the Saudi royal family of corruption and anti-Islamic practices.

Roula Khalaf, London

Drop in jobless is subdued

An unexpectedly small drop in December unemployment provided the latest evidence that economic growth has slowed while subdued average earnings figures suggested that inflationary pressures remain under control. Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, discussed the figures at their regular monthly meeting on interest rates. Rates were unchanged after the meeting, and most analysts expect no move in policy at least until next month following December's quarter-point reduction to 6.5 per cent.

Official figures released yesterday showed that unemployment fell again last month, but by less than expected. Average earnings growth was stable in November, allaying fears among some economists of greater pay pressures. The number of people out of work and claiming unemployment benefit declined by a seasonally adjusted 7,900 in December. This was the 28th successive monthly decline, but was less than half as large as November's fall. *Graham Bowley, Economics Staff*

Vanmaker to boost output

LDV, the Birmingham-based vanmaker rescued by a management buy-out from the Leyland Daf trucks collapse in 1993, is increasing production by 10 per cent from 400 to 440 vehicles a week. A voluntary Saturday morning shift has been introduced at the company's Birmingham plant. The increase is on top of a 22 per cent rise in output last year and was said by the company yesterday to reflect rising demand both in the UK and elsewhere. LDV, which was making 200 vans a week at the time of the buy-out, is back to second place in the UK panel van market, although its market share of around 12 per cent trails far behind that of Ford.

John Griffiths, Industrial Staff

Tighter rules would extend regulation to executives

By Jim Kelly in London

Between 4,000 and 6,000 Lloyd's agents, brokers, and advisers face individual vetting and a system of summary fines if they break market rules under changes to the insurance market's self-regulating framework announced yesterday.

The measures, part of a package of reforms for 1996, will be seen as an attempt to meet widespread criticism of the regulation of the insurance market which faces losses of more than £8.8bn ($13.6bn).

Sir Alan Hardcastle, chairman of the Lloyd's Regulatory Board, said publication of a plan for 1996 was an attempt to "put regulation on the front foot" and bring greater transparency to the market. The government's Department of Trade and Industry is to review the regulation of Lloyd's in 1997. Last year the House of Commons Treasury committee recommended that responsibility for regulating the market should transfer to an independent body. Nothing in the board's proposals published yesterday would rule out a transfer to the control of an independent regulator of the system of regulation now being developed.

The most radical proposal in the document is to register "individual officers and executives" of "regulated entities", a category which is understood to cover professionals down to the level of departmental manager. At the moment only the bodies are registered.

LLOYD'S
LLOYD'S OF LONDON

The move will be seen as an effort to restore the reputation of the market's professionals. Applicants will have to give details and evidence of experience, record in the market, competence and integrity.

Sir Alan admitted that some might fail. "Some may not bother applying," he said. "They may not be confident their answers would be acceptable." The new registration system should be in place within a year.

"We want to turn the heat up," said Mr David Gittings, director of regulatory services at the insurance market. "This will be the first bite we take."

Individuals and organisations are to face a streamlined and expanded system of summary discipline ranging from fines to expulsion. The aim is to bolster a formal disciplinary system which has been criticised in the past.

The board also wants to review underwriting agencies more often so that each agent is evaluated every year, and is aiming at a final set of core standards to improve the behaviour of professionals. It also hopes to examine the role of auditors in the market, and will decide if it should require auditors to report to regulators if they discover anything which might threaten the interests of policyholders or members.

Shell to move seamen's contracts to Singapore

By Charles Batchelor, Transport Correspondent

Royal Dutch Shell, the Anglo-Dutch oil group, is to transfer the employment contracts of the 1,000 officers on its tanker fleet to Singapore as part of a programme to reduce operating costs by 40 per cent.

Six hundred of the company's officers are British and the move reflects a growing disenchantment among shipping companies with high costs in the UK and what the industry sees as the government's failure to support the British fleet.

Shell will transfer the employment contracts of the British, Dutch, French and German officers on its 54-strong tanker fleet to Singapore and shut down personnel offices in france, the Netherlands and Cyprus. It will retain an agency on the Isle of Man to administer contracts.

Shell's move comes six weeks after P&O, the largest UK shipowner, announced it was moving five of its 27-strong fleet of container vessels to the Bermuda flag and replacing 90 British seamen with Filipino crew.

The UK Chamber of Shipping, which represents shipowners, lobbied the government unsuccessfully in advance of last November's Budget for the government to waive National Insurance contributions for British seafarers, which would have saved the industry £17m ($26.18m) a year.

Transferring employment contracts to Singapore is also expected to lead to some cuts in the pay and conditions of officers – though they will benefit by paying lower insurance contributions – but this is still being negotiated with the officers' trade union, Shell said.

"Our labour costs are 40 per cent higher than those of other quality operators and this is not sustainable in the fiercely competitive shipping market," Shell said. "We need to get these costs down."

Shell said it had no plans to withdraw from owning and managing its own tanker fleet.

● Esso, the UK arm of petrol company Exxon, yesterday triggered a possible nationwide price war by announcing an aggressive plan to maintain its dominant position.

The company, which has 2,100 service stations, said Esso outlets would now match the lowest prices charged by competitors in individual locations.

Shell, the second largest retailer, last night retaliated by cutting the recommended price of its leaded petrol by 4.4 pence a litre to 59.5p. British Petroleum, the third-ranking petrol retailer, said it was "committed to remaining competitive and not being undercut by other quality brands".

Curbs on TV sports deals attacked

By Clay Harris in London

Sports leaders united yesterday to oppose extra restrictions on their freedom to sell broadcasting rights even if that meant that big sporting events were available only on subscription.

Several argued instead that the long-standing list of protected events should be abolished or at least made voluntary. They said it limited the amount of money available to sport because of the inability or unwillingness of the BBC and and its rival terrestrial television companies (ITV) to spend in a protected market.

Mr Trevor Phillips, commercial director of the Football Association, told a seminar co-sponsored by the satellite broadcaster BSkyB that he recalled "the BBC and ITV operating snugly as a cartel". BSkyB is controlled by Mr Rupert Murdoch's media conglomerate.

A Labour party amendment to the Broadcasting Bill would extend the current prohibition against eight specified events being carried exclusively on pay-per-view channels to include all subscription channels such as BSkyB's Sky Sports. The eight include the Olympic Games, the football World Cup, the English and Scottish FA Cup soccer finals, Wimbledon tennis, home cricket test matches, and the Grand National and Derby horse races.

● The High Court in London was told yesterday that Mr Rupert Murdoch's New Century Television had submitted the only properly qualified bid for the licence to run the planned Channel 5 terrestrial television network. The court was reviewing the decision to award the licence to Channel 5 Broadcasting, the consortium which includes MAI, the broadcasting and financial services group; Pearson, owner of the Financial Times; CLT of Luxembourg; and Warburg Pincus, the US investment bank.

Lex, Page 18

CONTRACTS & TENDERS

REPUBLIC OF LEBANON
MINISTRY OF POST AND TELECOMMUNICATIONS
GENERAL DIRECTORATE OF POST
COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION
Tender Announcement for Contracting out Some Postal Services in Lebanon

In accordance with the plan for the rehabilitation of the postal sector in Lebanon, the Government of Lebanon, represented by the Ministry of Post and Telecommunications and the Council for Development and Reconstruction, invites the Companies specialized in postal services, to present their offers for contracting out some postal services in Lebanon.

The Project to be contracted out consists of the following three postal services :

1- Mail Handling Services, including :
- Mail collection
- Mail transportation
- Counter services including postal money orders
- Mail sorting
- Mail delivery
- Postal parcels

2- Express Mail service and Facsimile Service
3- Philately Service

The future General Contractor shall be solely responsible for the performance of the terms specified in the contract referring to the above respective postal services.

Interested candidates should obtain a copy of the tender documents including the postqualification documents for an amount of US$ /10,000.-/ (paid by a certified bank check to the order of the Council for Development and Reconstruction), starting from Wednesday January 17, 1996 from the Council for Development and Reconstruction - Tallet El Serail - Beirut - Lebanon.

Deadlines for presenting the completed offers is 12:00 noon (Beirut local time) on ThrusdayApril 18. 1996 at the Council for Development and Reconstruction.

The offers will be opened on Thursday April 18, 1996 at 12:00 noon, at the Council for Development and Reconstruction.

هكذا من الأصل

PARENTS, HALOS AND UMBRELLAS.

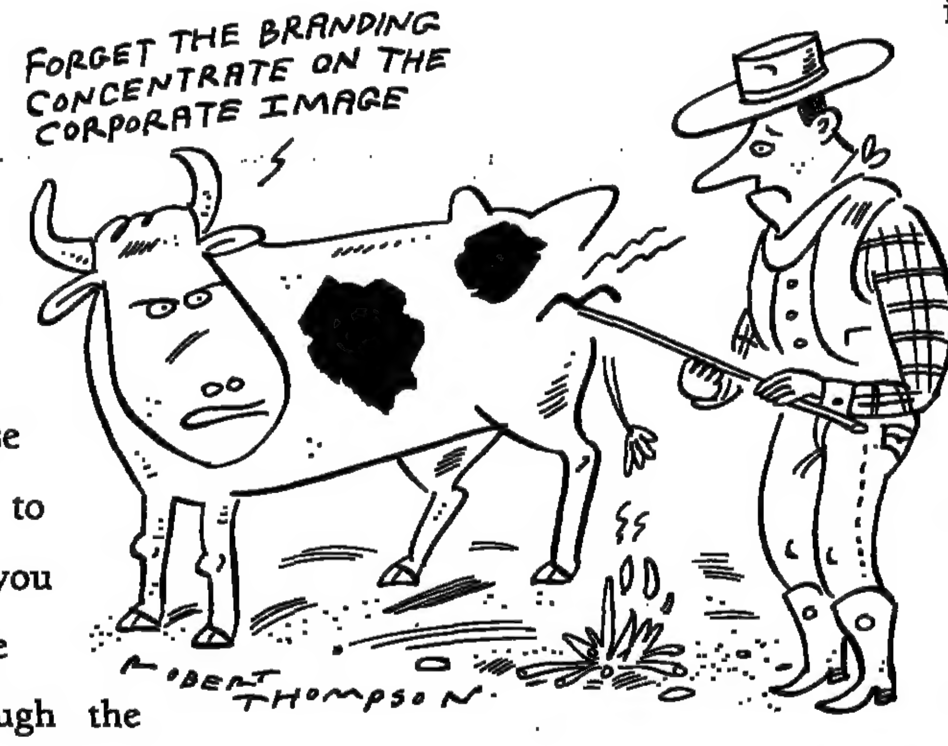
When the snake tempted Eve, he offered more than just a Golden Delicious.

Since then, his sales technique has echoed down the ages: if you want to sell something, make it different.

It's getting harder, though. As competition gets fiercer, more and more products are being turned into commodities, sold essentially on price. Individual product brands are undermined, and prices and margins suffer.

As it gets harder to make individual products different, companies turn their attention to their corporate brands. If you can distinguish your *company* from the competition, you can use its "halo" to strengthen individual *products*.

This strategy isn't for everyone. But some companies have made it work spectacularly well, particularly where the parent identity is strong – or can be made to be.



None the less, it's easier said than done. How do you build a corporate image that's distinct from the branding of individual products, but close enough to allow consumers to associate the two? And how do you prevent image problems in one product infecting others through the mechanism of the corporate brand?

There are no cook-book recipes. In general, though, companies seem to find it easier when they are able to start the process with a strong parent identity. That overall umbrella image makes it easier to establish individual product brands. Because these share a common inheritance, they reinforce one another and the parent.

And if something goes wrong with one of the individual products – well, the stronger the parent identity, the greater the chance of minimising the damage. All of which argues for steady, sustained investment in defining and promoting a parent company's identity.

The case for parent-company branding varies, of course, depending on the sort of company concerned. Consumer-product companies usually already have strong individual brands. Those involved in business-to-business selling may not have this benefit.

And the advantage of parent-company branding is greatest of all, perhaps, in services – including finance and the professions. Such businesses can benefit most from the halo effect of a strong parent image.

That's where the Financial Times comes in, offering an effective way of creating or reinforcing a parent company image in the minds of decision-makers in every country and every industry.

But the point of this essay isn't to plug the FT's virtues as an advertising medium, considerable though those are.

Instead, it's to offer the thought that the most effective and admired companies present a clear and consistent image of themselves in all their dealings with their business partners, with their customers, and with the public in general.

And targeted corporate advertising can play a crucial role in creating and maintaining that image.

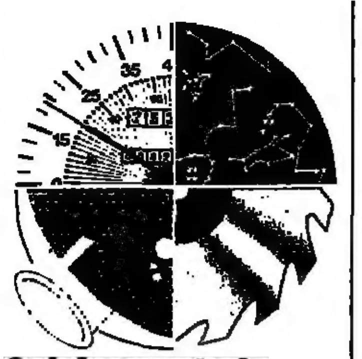
If you have any comments on the questions this series raises, or you'd like to talk about the issues of communicating the corporate message, either write to John Makinson, Managing Director, Financial Times, at 1 Southwark Bridge, London SE1 9HL or call him on +44 171-873 3233. Fax: +44 171-873 3937. E-mail: John.Makinson@FT.com.

Financial Times.
World Business Newspaper.

This is the fourth of a series. Tomorrow: conclusion.

TECHNOLOGY

Worth Watching · Vanessa Houlder



Quicker route to drug development

Up to a year could be shaved off the development time of new drugs using a newly developed microengineering technique, according to CRL, the laboratories owned by Thorn EMI.

Its technique, which it describes as "plumbing on a chip", involves the flow of chemicals along tiny grooves that are finer than a human hair. CRL's researchers believe it would ensure precise process control that could reduce unwanted by-products in drugs as well as cutting a year off the 12 to 15 years required to produce a new drug.

CRL will disclose more details of the process once patents are published in April. It believes the technique could be extended to any industry where fluids have to be accurately combined.

CRL: UK, tel (0)181 848 9779; fax (0)181 848 6565.

Third line in telephone banking

Telephone-based banking services are proving increasingly popular. But so far the technology used by these systems is relatively simple: they are normally answered by human operators, or else they use an automated voice activated by pressing keys on the telephone.

The EU's Esprit programme is funding research into a third approach to telephone banking technology, featuring automated speech recognition. The project includes universities, banks and companies in the UK, Denmark and France.

The 18-month long Ovid project will investigate the use of automated speech recognition, speech synthesis, tone inputs and multimedia terminals to allow customers to inquire about their bank balance, pay bills and make fund transfers.

The members of the project, which include the Universities of Edinburgh and Aalborg, the Royal Bank of Scotland and Barclays Bank, plan to conduct trials in Denmark and the UK.

University of Edinburgh: UK, tel (0)131 650 1000; fax (0)131 650 2253.

New approach to fighting cancer

Many companies research cancer cures, but an approach by Antigenics, a private US company, may hold out more hope than many, *writes Daniel Green.*

One tactic is to alert the body's immune defences to cancer cells by coating them with a protein – an antigen – that stimulates an immune reaction. But since tumours can suppress the immune response, one antigen may not be enough.

Antigenics coats cancer cells with hundreds of different antigens. It uses naturally produced "heat shock proteins", to which antigens can be attached in the laboratory. It claims the method is unique and says that trials show low side-effects and good responses from patients.

Antigenics Tel US (212) 332 4774 Fax (212) 332 4779

Cheaper way to make LCDs

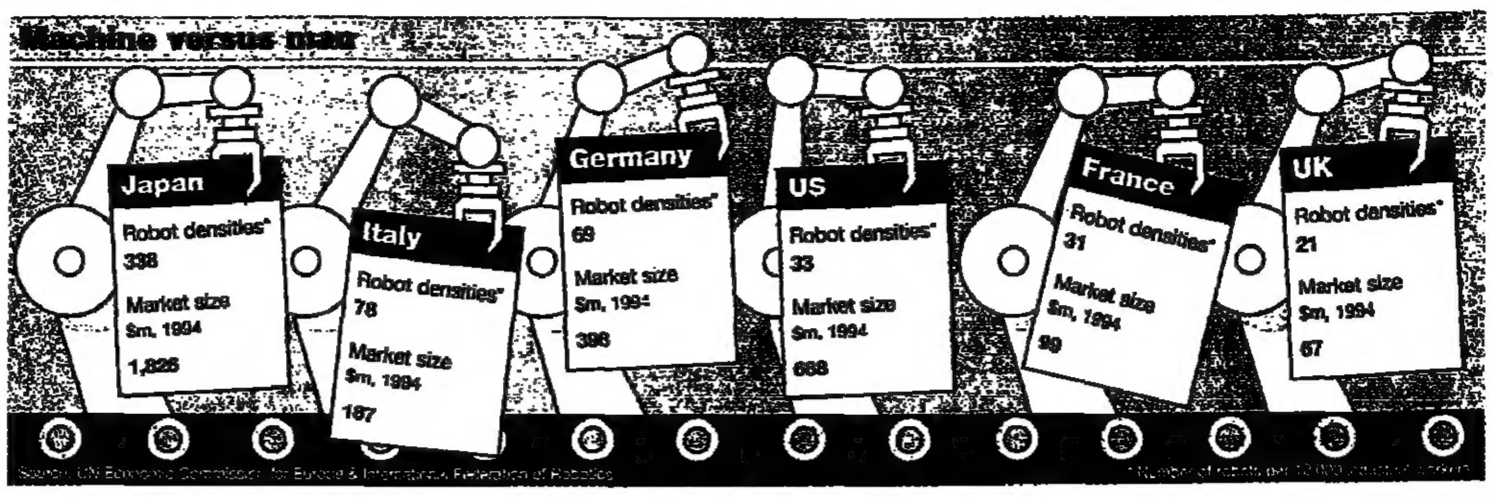
Sony Corporation has developed a technique for making high resolution liquid crystal displays that uses low temperatures and inexpensive glass substrates.

The development underlines the research effort that is going into methods of making larger, cheaper and higher resolution liquid crystal displays, which are widely used for electronic displays.

The technique uses polycrystalline silicon thin film transistor technology (TFT) which has some advantages over amorphous silicon TFT technology in making high resolution LCDs.

Conventionally, polycrystalline silicon has been processed at temperatures over 1,000°C which has required expensive quartz substrates. Sony's new technique, which uses chemical vapour deposition, works at temperatures lower than 400°C. The company plans to introduce LCDs using the technology in the autumn.

Sony UK: UK, tel (0)1932 816000; fax (0)1932 817000.



Source: UN Economic Commission for Europe & International Federation of Robotics

*Number of robots per 10,000 industrial workers

Robots fight for a role

Tony Jackson looks at the US industry in a continuing series

ROBOTICS AT WORK

The US robotics industry enters the latter part of the 1990s in fighting form. In the first nine months of last year, US producers smashed previous records for both orders and shipments. Clearly, says the trade body the Robotic Industries Association (RIA), 1995 was the best year ever for the industry.

A striking statistic is offered by ABB, the Swedish-Swiss engineering group which claims to be the biggest US supplier of robots. In 1990, there were almost 55,000 robots installed in Japan and 3,000 in the US – a ratio of 15 to one. By 1994 the figures were 9,000 and 5,500 – a ratio of 1.7 to one.

On closer inspection, the underlying trend is less clear. The slump in Japan results from the bursting of the bubble of the late 1980s, a period which saw heavy capital investment by Japanese manufacturers.

Similarly, today's demand for robots in the US is part of a broader surge in capital spending by US industry. This reflects a revival in confidence among US manufacturers as their global competitiveness has improved. But it also owes much to the upturn in the economic cycle, and may prove unreliable.

The US still falls a long way behind most advanced economies in its use of robots. In 1994, the US had 33 robots installed for every 10,000 industrial workers. In Germany and Italy, the figure was more than double that. In Sweden it was nearly triple. In Japan it was higher by a factor of 10.

The obvious question is whether the sharp rise in US demand – up 26 per cent in both 1993 and 1994 – represents catching up. Comparison with machine tools, a more mature and established market, suggests not. Demand for both robots and machine tools is cyclical; and in the boom years 1993-94, the machine tool market grew slightly faster – at 30 per cent a year – than robots did.

The next question is why the US lagged behind in the first place. For Don Vincent, executive vice-president of the RIA, the chief reason is a familiar one: the alleged short-termism of US capitalism.

"It can be tagged to management philosophy on the pay-back on investment," he says. "The style is that you need a quick return. In other countries, you're allowed to be more patient."

Richard Armbrust, head of ABB's US robotics business, points to a different and perhaps more fundamental reason. "It's true that robots are a more acceptable means of manufacturing elsewhere," he says. "But there's a more available workforce here. It's a reflection of the cost of labour."

Another reason is rooted in history. The early days of robotics in the US were characterised by ill-founded optimism. "In the early and mid-1980s," Vincent says, "some companies thought robots would bring on a new industrial revolution. They aimed at very sophisticated materials handling, painting and arc welding, before the technology had developed to that degree of accuracy."

Armbrust agrees. "People had some bad experiences. The component suppliers we used at that time weren't reliable enough. That has changed now."

An important result of this false start was that domestic producers faded from the scene. At the start of the 1980s, Vincent says, any number of big US manufacturers were interested in robotics. "Westinghouse, Bendix, General Electric and IBM were all robot manufacturers. They believed it would be a $2bn (£1.3bn) industry by 1990." The actual figure was a quarter of that. "They all got out 10 years ago."

Says Armbrust: "The R&D investment required to duplicate the human arm and body is incredible. You need scale for that." Now, at least 70 per cent of the US market for robots is supplied by imports.

As for applications, the chief question is how far the robot can transcend its origins in the car industry

From Vincent's viewpoint, robots have become a commodity. The remaining US lead, he says, is in software development. "The success stories in robotics," he says, "are based on buying systems which work."

As a leading producer of the hardware, Armbrust unsurprisingly disagrees. "Robots might seem a commodity in certain applications," he says. "But the technology itself keeps on going. A robot is still an extremely complex piece of machinery which requires gears, motors and bearings to act like human arms and legs. We have still got a long way to go."

As for applications, the chief question is how far the robot can transcend its origins in the car industry. Car makers and their suppliers still account for more than half the robot market in the US. Since this is a fickle and cyclical industry, it is plainly in the interests of robot makers to diversify.

Armbrust is hopeful. Most of the industry's growth, he says, is outside the car industry. It is based, above all, on product differentiation. In the car industry, he says, the original impulse to use robots came from the decision to have a dozen models, or 15 different paint jobs, or a series of different welds, all on the same production line. The same impulse will now apply in other consumer goods: in food, drinks, furniture or white goods.

These industries, he says, have historically been characterised by high-volume runs of single products. That is now changing. As consumers become more demanding, product lines become more diverse.

This affects not just production, but packaging and shipping. Think of the things, he says, which grocery stores now buy in big containers with a large number of different items. These are the things which robots can make and pack. "Over the next 10 or 15 years, we see that as being as important as the auto industry as a source of growth."

Perhaps. But the central issue remains: that robots are a justifiable expense only when they cost less than the humans they replace. Over the past 20 years, the average hourly wage of US industrial workers has declined in real terms, together with their job security and welfare benefits. Only when that trend has decisively reversed will robots come into their own.

Phones for the deaf

When Alexander Graham Bell invented the telephone in 1876 he was trying to make a hearing aid for his wife. Now a combination of modern technologies is being used to develop a new generation of telephones for people with hearing disabilities.

Researchers at British Telecommunications, and the University of Essex are working on a system that will enable two deaf people to use sign language over the telephone.

The system uses a personal computer equipped with a video camera and gesture-recognition software. The latter is used to store a database of sign language as visual images. A deaf person sits in front of the PC and the camera records their signings, which are digitised and read by the computer by comparing them with the stored images. The information is then transmitted by phone and the signings displayed on the second caller's PC screen.

It will probably be a few years before the system becomes commercially viable.

A similar system was unveiled recently by Hitachi, the Japanese electronics group, involving an ambitious combination of videotelephony, speech recognition and automatic translation technologies. The signings are compared with those stored on a database, converted into Japanese text and translated into English text. The other caller sees a video image of the deaf person on their PC screen, along with a text message.

Meanwhile, less sophisticated systems are already in use. For instance, since 1980, BT and the UK's Royal National Institute for Deaf People have been operating Typetalk.

The spoken words of a caller to a deaf Typetalk subscriber are typed by an operator. The words then appear on a special Textphone, which has a liquid crystal display screen and keyboard. The deaf person may reply by speech or typing a message which can be read by the operator to the caller.

George Cole

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هكذا من الأصل

ERITREA

Proud, principled and impoverished

Eritrea is now encouraging the private sector and seeking foreign investment in mining, fishing and tourism, as it wages war on poverty, report **Michael Holman** and **Michela Wrong**

Asmara: Eritrea's peacetime slogan could well be 'sweat, not debt' as the government strives to retain its integrity while attempting to tap the country's considerable resources Dave Peters

A librarian might seem an unlikely hero of Eritrea's 30-year war for independence. No more surprising, though, than to find energetic septuagenarians rebuilding the country's main railway line. Or to discover government ministers who shun pomp and ceremony. Not to mention a foundry where Soviet-made tanks will be turned, if not into ploughshares, at least back into steel, in a capital whose streets are safe to walk at night.

But then nothing on the African continent prepares the visitor for Eritrea, as US diplomats discovered when they returned in 1991 to Asmara, capital of about-to-be-independent Eritrea.

In the city abandoned by their consular predecessors some 20 years earlier, as the Eritreans' war with Ethiopia intensified, they were astonished to find that the US Information Service (Usis) library was still fully functioning.

The same books, though somewhat worn, were on the shelves. The same card index system, with loans meticulously registered, was still in operation, and hardly a volume had gone missing. And the same librarian was still in charge. Although no longer paid by Usis, he had stuck indefatigably to his post, existing on a small stipend from the city authorities.

Proud, principled and impoverished, Eritrea is virtually without peer in Africa as it pursues its own model of development and vision of democracy.

President Isaias Afeworki's People's Front for Democracy and Justice (PFDJ), having won the war against Ethiopia when the regime of Mengistu Haile Mariam collapsed in 1991, and then secured a 99 per cent vote for independence in a UN-supervised referendum in 1993, now seeks an alliance with private capital in the battle against poverty.

"Never kneel down" is the national motto, adopted during the war years, when the near-friendless Eritrean People's Liberation Front – as the PFDJ was then known – was snubbed by the west and under constant attack by the Moscow-backed Ethiopian forces. Its peacetime slogan, however, could well be "sweat, not debt", as the government strives to retain its integrity while attempting to tap the country's considerable resources: a wide range of minerals, including the likelihood of oil under the Red Sea, huge fish stocks, and the enormous tourist opportunities provided by hundreds of white-beached, reef-protected islands and historic inland sites.

If the resolve that helped win the war is directed into rehabilitating the economy, Eritrea can hardly fail. Certainly the country deserves to succeed, emerging favourably from almost any comparison with the rest of Africa.

It receives a fraction of the aid that goes to Kenya – one of the largest recipients of assistance on the continent, and whose per capita income is more than double Eritrea's – but is almost free of that country's endemic corruption. While poorer than neighbouring Ethiopia – itself one of Africa's most impoverished countries – there are none of the beggars and street urchins who pester visitors to Addis Ababa, the capital.

Like Sudan, Eritrea's 3m or so people are equally divided between Christian and Moslem. But unlike its neighbour, which is led by an extremist Islamic military regime, religious differences do not help fuel a civil war.

And when Eritrea's army won its war for independence, demobilised fighters handed in their weapons. Weapons were not sold to criminals, or stashed in expectation of further political conflict, as has happened in southern Africa.

Perhaps most striking of all, there is no sign of the aid-dependent culture common to so many African states.

While relations with the World Bank and the International Monetary Fund are cordial, the use of expatriate experts and consultants is not encouraged. "The leadership has been in the countryside, they know the people, they feel their 'heart-beat,'" says Mr Haile Woldense, finance minister. "We cannot accept that an expert comes here for a few days and dictates terms. We must be the owners of our own programme."

Non-government organisations are thin on the ground, and refused the near-autonomous status they enjoy in some African countries. Last year, the government expelled two World Food Programme (WFP) workers and two USaid officials, deemed to have stepped out of line.

The government is also determined to keep international borrowing to a minimum, although enjoying the unique position of having almost no external debt – Ethiopia assumed responsibility for all external loans when Eritrea became independent. And so when told that foreign contractors would charge $300m-$400m to rehabilitate the 117km railway between the Red Sea port of Massawa and Asmara, the government decided to do the job itself. Thousands of sleepers which had been dismantled and used to strengthen trenches during the war were recovered. Steam engines rusting in hangars are being painstakingly renovated, and rolling stock repaired. All this is taking place under the direction of grizzled railwaymen, trained under Eritrea's Italian colonisers, who responded with enthusiasm when summoned out of retirement.

Whether this pull-yourself-up-by-your-own-bootstraps approach to development will find favour with the foreign investors Eritrea now seeks, remains to be seen. While admirable in many respects, it is also very slow and time-consuming, and may well test the patience of investors already likely to be frustrated by the practical problems of doing business.

War left the country's economy shattered, its infrastructure devastated, and the industrial base created during the Italian era in urgent need of new plant and equipment.

If tourism is to succeed, hotels must first be built or renovated. If the subsistence agriculture that currently provides a living for 90 per cent of the people is to increase productivity, and reduce Eritrea's chronic annual food deficit of some 300,000 tonnes of grain, country roads must be improved, better inputs supplied, and irrigation schemes introduced.

Yet without aid and commercial loans, albeit on rigorously scrutinised terms, it is difficult to see where the funds will come from.

Certainly, Eritrea does not have the finance. The country's main source of foreign exchange today is the $75m or so annual inflow in the form of remittances from the half million of its citizens living abroad. (A further 500,000 still live in Sudan, where they took refuge during the war).

One of the constraints on borrowing will be lifted later this year, when Eritrea replaces the Ethiopian Birr with its own currency, the Nacfa. This will allow the government to control money supply, interest and foreign exchange rates, currently largely determined by the Ethiopian authorities.

On the political front, the government has successfully handled one of the most sensitive of post-war issues – the phased demobilisation of 60 per cent of the 95,000-strong army.

But a fresh challenge now has to be confronted: making the transition from what is an all-powerful one-party government, run by an 18-member executive committee chaired by Mr Afeworki, to a multi-party system.

Part of this process requires the PFDJ to disentangle its finances from those of the state, a complex business which involves allocating everything from military weapons captured by the guerrilla army, to the assets of the Red Sea Trading Corporation, originally created by the party in the 1970s.

Agreeing that the tanks not destined for the rehabilitated foundry in Asmara, which will turn military scrap into steel, should become the property of the national army is straightforward.

Deciding on the allocation of the assets of the Corporation – and keeping its operations at arm's length from the government – will be more difficult, and many businessmen in the nascent private sector express concern about unfair competition from a state-favoured operation.

Nevertheless, there must be a danger that the PFDJ will go the route of other parties in Africa and elsewhere: parties which once have enjoyed total power, end up ossified, unrepresentative, and autocratic.

The new constitution, currently being drafted, will guarantee freedom of the press, assembly, and competing parties, President Afeworki points out, although it is hard to detect any significant opposition to the Front.

Not that he believes its days are numbered: "If you're looking in terms of five or 10 years, you will be disappointed. Given our circumstances, the Front will continue to be dominant for several years to come."

Given Eritrea's grim legacy, its challenges are formidable. But thirty years ago most observers doubted that Eritrea would even win its war for independence. Who is to say that Eritrea will not again surprise the world as it seeks to liberate itself from poverty?

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The Government of Eritrea, within the longterm perspective, sees industrial development as the correct road for the progress and prosperity of the country.

ERITREA's location at the cross-roads to Europe and the Far East, places it in a good position to access important global as well as regional markets for both inputs and outputs.

The Eritrean people are now poised for the peaceful reconstruction and development of the war battered economy. The Government of Eritrea has enacted a series of policy measures to promote both domestic and external trade. The desire to give trade prominence in the development effort emanates from the recognition that Eritrea has a strategic location which is conducive for the expansion of trade.

The objectives of its Trade Policy include: promoting economic growth and a healthy balance of payments, expanding access to sources of raw materials, technology and know-how; removing domestic market limitations for the marketing of outputs and thereby improve employment opportunities; enhancing efficiency in production and competitiveness in price and quality of commoditites and services; promoting regional co-operation and economic integration, and increasing the attraction of Eritrea to direct foreign investment.

In order to achieve the above-stated objectives, the Government of ERITREA has set short and Long term Trade Policies including, among others,

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THE BANK OF ERITREA

From the ruins of Caserma Mussolina (Mussolini Prison), the Bank of Eritrea, the central bank of the State of Eritrea, is forging through its way to the great challenges ahead. In line with vision of the State as set in the new macroeconomic policy, to convert Eritrea into a centre of business and trade, the Bank has so far achieved the following, within the framework of liberating the economy:

TRADE PAYMENTS

1. The requirement to declare foreign exchange holdings at point of entry or exit from Eritrea by both residents and non-residents has been removed.
2. Foreign exchange is availed easily for the importation of goods and services and the extensive negative list has almost been eliminated.
3. Export goods were subjected to rigid price controls. This practice is no more required and exporters can now retain up to 100% of sales proceeds of their goods in foreign currency accounts.
4. Importers are permitted to obtain credit from their suppliers if they can avail them better terms and conditions than the local banks. Importers are also no more required to arrange insurance for their goods with a local insurance firm.
5. All impediments for the transfer of royalty, patent rights and capital disinvestment have been removed and bureaucratic procedures simplified.
6. The goal of the Government is to attract local and foreign direct investments into Eritrean in all sectors of the Economy without discrimination. This is fully supported by the Macro-Economic policy & sectoral legislations which include globally competitive and attractive tax regimes already implemented.

DEVELOPMENT OF THE FINANCIAL SYSTEM

The Bank has scored substantial progress in the sphere of institutional restructuring through conducting in-depth appraisal of the existing legal, regulatory and policy systems in order to identify and eliminate or scale down impediments and gaps. Evaluation of the capacity of the financial institutions and identification of their various limitations has also been concluded. Moreover intensive efforts are underway to draw a strategy for the development of a sound financial system capable to promote a sustainable and stable economic growth in Eritrea through the introduction of monetary programming techniques for the achievement of economic target in terms of inflation, balance of payment equilibrium and monetary survey analysis mechanisms which can be used to effectively monitor fluctuations in exchange rates, interest rates and inflation, in particular and for the evolution of a monetary policy, in general.

HUMAN RESOURCE

In the light of the total neglect during the past thirty years resulting in a serious lack of trained and experienced technocrats, an intensive survey has to be conducted on the actual human resource conditions of the financial institutions which has ascertained the need for the recruitment of employees with a sound academic background for whom, together with the existing staff members, a continuous inhouse and external training programme is being implemented for the short and medium terms. The survey has further prompted for a feasibility study to be undertaken on whether or not the establishment of a Bank Training Centre is the best option in the long term. The preliminary outcome has confirmed the relevance of such an institution and more work is therefore being made on the idea.

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GO! TRANSHORN

II ERITREA

■ **The economy:** by Michael Holman

Grim legacy of conflict

The government is planning to replace the birr with an Eritrean currency

Mr Tekle Beyene enjoys what is surely a unique position among central bank governors. The imposing, white-washed, fortress-like building in Asmara which he now occupies was once a jail, and Mr Beyene one of its prisoners.

Today it is Eritrea's central bank, and Mr Beyene's office is directly above the former prison cells in which he was once held, in the days when Eritrea was a subjugated province of Ethiopia.

Together with Mr Haile Woldense, the finance minister, he is now one of the key figures in Eritrea's battle against 30 years of underdevelopment, a struggle almost as formidable as the guerrilla war itself.

Both men speak the same economic language, promising a leaner, more efficient civil service, stressing the importance of the private sector, and while welcoming assistance from the World Bank and other lenders, determined that Eritrea's *development strategy* shall be "home grown".

But although Eritrea has achieved political independence from Ethiopia, the legacy of Africa's longest-running conflict is grim – 100,000 lives lost, a shattered economy, and a million-strong diaspora of Eritreans abroad. Furthermore, the government is still not fully in charge of the economy.

The Ethiopian birr is still the Eritrean currency, and critical issues such as money supply and interest rates are still determined in Addis Ababa, capital of Ethiopia.

Foreign exchange rates are also set by Addis Ababa, although the central bank in Asmara exercises some autonomy, offering a preferential rate for the remittances from Eritreans abroad. At some $75m a year, they are the country's largest single source of foreign exchange.

All this is set to change later this year. The government is planning to withdraw the birr from circulation and replace it with an Eritrean currency, likely to be called the Nacfa, after the northern highlands redoubt which was the guerrilla headquarters.

Until then, however, the Eritrean economy is not susceptible to conventional analysis, a task made even more difficult by poor statistics.

What the country does have, however, are assets which could together transform its rudimentary economy, dominated by subsistence agriculture and diaspora remittances. First is a remarkable sense of purpose, born during the war, which is now being channelled into economic reconstruction.

Eritrea is also unique among developing countries in not having an external debt. Ethiopia accepted all foreign borrowing liabilities when ceding independence in 1993.

Finally, Eritrea has four resources which could help reshape the country's fortunes: a wide range of minerals, including gold; an unspoilt coastline with hundreds of islands, which together with inland sites of historical interest could provide a thriving tourist sector; coastal waters which can yield a rich fish harvest; and the possibility that oil might be found under those same Red Sea waters.

For the foreseeable future, however, agriculture will remain the bedrock of the economy, with 70-80 per cent of the 3.5m population depend for their livelihood on the sector.

INTERVIEW President Isaias Afeworki

Modest aid is mixed blessing

President Isaias Afeworki, who as secretary-general of the Eritrean People's Liberation Front led his country to victory in the guerrilla war for independence from Ethiopia, talks to Michael Holman and Michela Wrong.

Question: Should oil be discovered, might it prove a curse rather than a blessing, undermining the qualities of self-reliance?

Answer: We've signed prospecting and exploration contracts: one day we'll probably find oil offshore. And mining, fishing and tourism also have great potential. But we are not going to follow the example of Angola, or Nigeria – we will invest in human resources, and we will also use these assets to rebuild a destroyed infrastructure.

Given Eritrea's poverty, as well as your strategic location in the Horn of Africa, are you disappointed by the level of aid received?

It is both good and bad. Bad because the international community has not provided us with the aid we badly need; good, because in my experience if you need something and no-one is giving it to you, you struggle even harder to do it on your own.

But I am quite sure the international community will eventually recognise that Eritrea deserves the aid that is squandered elsewhere.

Is the way you have decided to rebuild the railway line between Asmara and Masawa an illustration of your approach to development?

Exactly. Consultants estimated that it would need more than $400m: well beyond our reach. So what do you do – give up hope? Or sell the whole thing as scrap to a Saudi company, which we considered?

Instead, we found people who had worked on the line, old people between 60 and 70 who had been trained to do every thing on their own.

We went to their workshops – there was only one part of the train that had to be manufactured abroad – they had a design shop, a smelter, and they could manufacture just about every part of the railway system.

So we decided, what do we need outside help for?

Many of the older workers were living on food aid, they had no pensions. One old man told me: 'We were blaming you for being distracted by artificial things.' He was talking about the train like his cattle: 'It is milk, it is fodder, it is meat for me. For those who do not understand this, it is scrap, but for me it is a living thing. You were going to sell it as a dead body, now you are giving it life again.'

What is the role of the private sector?

We want it to be the engine of development – the problem is that we did not inherit a working private sector, and we are now trying to create an environment in which it will develop and flourish, in partnership with foreign investors.

Is your relationship with the World Bank and the IMF a cordial one?

The Bank and the Fund often get blamed for the way they handle Africa, but ultimately the responsibility falls on the shoulders of the governments themselves.

The first thing we did was to ask for time to appraise our circumstances and projects and needs. We said we will do our homework on our own. No resources have been misused or abused, and we have very cordial and practical relations with the Bank and the Fund.

How serious is the strain in relations with Sudan?

It has never been a serious

President Afeworki: 'one day we'll probably find oil offshore'

military threat – small sorties, mining and killing across the border – it just serves to consolidate national feelings.

They have not read history. *Christianity has been here for* 15 centuries; it is a very complex and very solid society that cannot be weakened from outside. Their calculation that they can win 50 per cent of the population over simply because they are Moslems, and do the same in other countries, is very foolish.

The Khartoum regime is a blessing in disguise, for it will show people once and for all in this region that this form of Islam will not work, and never again will a regime use Islam as a means to destabilise a country.

Yemen's recent claim to the island of Greater Hanish: is speculation about possible oil reserves in the area at the root of this?

It came as a surprise to us. Historically, these islands were under the jurisdiction of the Ottomans. In the 1920s the Turks relinquished their title and the Italians took over. It was then part of Ethiopia, as were other islands in the archipelago, used as a stepping stone for the EPLF when it attacked.

Yemen's decision to send troops is tantamount to occupation. We do not accept it. The question of legitimacy will have to be settled legally by international arbitration. If it was proved that they were Yemeni, we would abide by it.

What are the prospects for multiparty politics in Eritrea?

It's not going to be an easy transition. Our job now is to create the conducive climate for multipartyism. But we must heed the lessons of the past. The war for independence took 30 years, but 15 years were lost through internal division.

We learnt from that experience. Are we going to allow parties based on tribes, or religion, Christians versus Moslems? Obviously not. But any party that represents a cross-section of society is acceptable.

The Front is committed to democracy, but it takes a long time to establish. If you're looking in terms of five or 10 years, you will be disappointed. Given our circumstances, the Front will continue to be dominant for several years to come.

■ **Investment:** by Michela Wrong

Complaints about sleaze are rare

The aim is to lure foreign investment into the mining, oil, tourism and fisheries industries

The foreign investor trying to clinch a deal in Eritrea may experience many things, but the knowing wink and outstretched palm common to so many African encounters are unlikely to be among them. Irritation? Maybe. Exasperation? Possibly. But corruption? Almost never.

The sense of high moral purpose that sustained the Eritrean People's Liberation Front (EPLF) throughout its solo struggle against Ethiopia has now been carried through to the job of government. Visitors may fulminate against bureaucratic delays in a country whose laws are still being drafted, but complaints about sleaze are a rarity.

"They have created a climate where if a businessman tried to pay a bribe, he wouldn't be able to do business," says Mr Robert Houdek, the US Ambassador. "They know what an asset they have in establishing a reputation for cleanliness and they're going to work hard to maintain it."

A reputation for probity will do no harm as the government pursues its vision of an export-driven, private sector-led boom that will resuscitate what was once Ethiopia's industrial heartland and provide jobs for thousands of returning refugees and demobilised fighters.

The aim is to lure foreign investment, particularly from the Middle East, into the oil, mining, tourism and fisheries industries. To that end the government pored over legislation drafted by rival Asian and African countries before producing its own investment blueprint.

"We tried to work out why some had failed to attract investment and others had succeeded," says Tekle Beyene, governor of the central bank. "We had to polish and re-polish and re-polish."

After 16 drafts, a first code was drawn up in 1991, offering a range of tax holidays. But it was judged over-complicated and in 1994 the code was drastically streamlined, cut to half its original length.

It now sets nominal levels of import duty and sales tax and exempts exports from duties altogether. Licensing is simplified, repatriation of profits guaranteed and protection from state seizure promised.

The code also establishes a "one-stop" investment centre which smoothes the path for potential investors by issuing visas at the airport and doing the administrative legwork. Combined with petrol and mining codes offering special tax concessions, it represents what ministers claim to be the most liberal investment legislation in Africa.

Complex land ownership legislation has been re-drafted and the cumbersome tax collection system has been simplified. The state now owns all land and leases it out. Big companies assess their own taxes; a standard level is set for smaller companies.

Despite such encouragements, new investors would do well to take the long view.

Infrastructure, much of it untouched since the Italian colonial era or shattered by the war, remains a big problem. Although extensive works are in progress, the road network is small and in poor condition and the absence of a domestic airline dooms travellers to long overland treks. The patchy and primitive telephone system is to be modernised next year.

The government has applied for loans to build generating plants that would nearly double megawatt capacity for Asmara and Massawa but in the meantime there is a serious shortfall between supply and demand. Energy costs are high and, until Eritrea has established whether it has oil, fuel will have to be imported.

For those aiming at a local market, Eritrea's population, at 3.5m, is tiny and with per capita incomes among the lowest in the world, its spending capacity minimal.

In spite of such disadvantages, the Trade Ministry has already seen a satisfying surge in businesses – mostly small-scale import-export operations – applying for licences.

In 1994, some 11,700 foreign enterprises and 7,000 domestic enterprises applied for licences, compared to 16,100 that applied between independence and 1993 and the 600 enterprises operating before independence.

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■ **Demobilisation:** by Michela Wrong

The greatest challenge

The PFDJ, arguing that it can neither justify nor afford an army of 95,000 is ordering up to 60 per cent of its fighters back to civilian life

The head of Eritrea's national demobilisation programme has good reason to know what a danger discontented fighters can pose.

In 1994 he was held hostage at a rehabilitation centre outside Asmara by disabled fighters who had just been told their country no longer needed them. Troops were called in and in the resulting firefight, three handicapped fighters died, shot by their former comrades-in-arms.

"All of a sudden, people who had lost eyes and legs in the war were told, without any preparation, that they were being demobilised," says Amanuel Mehreteab, head of the Mitias reintegration programme. "The government mishandled it in terms of public relations."

It was an object lesson in how not to tackle the sensitive issue of demobilisation, probably the greatest challenge the government faces today.

The People's Front for Democracy and Justice, arguing that it can neither justify nor afford an army of 95,000, is ordering up to 60 per cent of its fighters back to civilian life.

In the process, it risks losing the support of the very people that put it in power, beating the Ethiopian army into submission in the harshest of landscapes through 30 long years of privation and loss.

"Demobilisation means putting tens of thousands of politically aware, intelligent people on the street, which constitutes not just an economic but a political problem," says a diplomat. "At the same time the civil service is being streamlined and thousands of refugees are returning from exile. So job creation really is a priority."

Mitias has tried to sweeten that pill with a staggered demobilisation.

First to go were 26,000 fighters who had joined the Eritrean People's Liberation Front (EPLF) recently, on the grounds that they would blend into civilian society with ease. Young men and women, most of them returned to their families and interrupted university courses.

Disabled former fighters train as tailors for civilian life   Picture: Michela Wrong

The second wave, involving veterans, has been more difficult. Many joined in their teens and have no qualifications. The simplicity of life at the front, with its comradeship and moral certainties, is all they know.

Cash-strapped Mitias has been trying to smooth a path for these men and women who served for decades without being paid and now leave with little more than a token severance payment and "certificate of patriotism" to their names.

About 1,500 have been settled on a cotton plantation near the Sudan border and are learning to farm. Others are being trained as masons, plumbers, mechanics, tailors and typists.

"Barefoot bankers" tour the country, offering small credits, encouraging fighters to pool their severance pay and form co-operatives or acting as guarantors for banks hesitant to lend to individuals with no collateral.

These initiatives, Mr Mehreteab admits, are dwarfed by the efforts to reabsorb its warriors made by a community which financed the war.

At $8m, the level of foreign aid given to a project which the government regards as crucial has been disappointingly small. But Eritrea is full of heartening tales of individual resourcefulness.

Grey-haired veterans wave at each other from the steering wheels of taxis bought on credit. In government-owned hotels, shy young women, awkward in new uniforms, learn to wait at table.

A new fish market run by women former fighters has just opened in Asmara.

Other women guerrillas have poured their savings into textile and honey-making co-operatives or are retraining as carpenters and truck drivers.

This group, which made up 30 per cent of the EPLF's forces, is of most concern to the government. Treated as equals on the front, educated to ignore tribal and religious differences, women fighters return to a patriarchal, deeply conservative society. Their mixed Moslem-Christian marriages are rejected, their independent ways regarded as suspect.

"In the field, women thought because their surroundings had changed, Eritrean society had changed," says Askalu Menkorios, president of the National Union of Eritrean Women. "But we didn't touch the bedrock of society."

If demobilised fighters are trying to learn to become civilians, civilians are also learning about the rigours of life in the field.

The government, anxious not to allow the mood of solidarity to evaporate, has made national service obligatory.

Returning exiles used to western comforts and those who stayed at home are sent to repair roads, plant trees and build dams in an exercise the government is convinced will bridge the gap between the two communities and defuse possible resentments.

The PFDJ faces an uphill struggle. But Mr Sebhat Ephrem, defence minister, believes the days when riots in the streets seemed a definite possibility are past.

"In 1992, things looked very bleak. But now oil, mining and fishing beckon and the future seems bright. Those outside the army are now better off than those inside, who are making money. Looking to the future I see complaints from people in the army, not problems with demobilised fighters."

PROFILE **Asmara Brewery**

Operating at full throttle

Order a beer in Eritrea and no one will ask which brand you want. You will be presented with a stumpy brown bottle of lightly fizzy lager without so much as a label. Such marketing niceties as a label are unnecessary when there *is* only one local beer.

But if the Asmara Brewery enjoys a national monopoly, it has not achieved this status without its share of tribulation. The fact that locally-brewed beer is being served at all in Eritrean bars is thanks to the tenacity of a workforce that kept the plant operating through the second world war, occupation by Ethiopia's Marxist regime and three decades of guerrilla warfare, with only a two-year hiccup in production when circumstances proved too much.

The brewery, now churning out 60m bottles a year and regarded by the government as the showcase of its struggling parastatal sector, was founded in 1939 by Mr Melotti, a civil engineer who accompanied Italian troops sent to Mussolini's cherished colony.

Nationalised in the 1970s by the Ethiopian authorities, it came to be regarded as a prime target by the Eritrean People's Liberation Front (EPLF) when it laid siege to Asmara, on the no doubt valid grounds that the Ethiopian army's will to fight would be seriously dented once its soldiers were deprived of beer.

"We used to try and try to shell the brewery from the hills," recalls Mr Johanes Beraki, a former EPLF fighter who now runs the capital's government-owned hotels. "We managed to hit everything around it, but never the brewery itself."

Attempts were made to mine the five-unit complex, but the presence of 200 Ethiopian troops posted around as protection had its effect. It was only when the guerrillas seized the port of Massawa, cutting off supplies of essential raw materials, that the brewery was forced to close.

The brewery is now churning out 60m bottles a year

Reopened by the EPLF four months after liberation, the brewery is now operating at full throttle, a profit-making venture whose activity acts as a barometer of the economic revival under way in Eritrea after decades of war-induced paralysis.

As the construction industry grows rapidly and new businesses run by returning refugees and demobilised fighters open, demand for the beer has soared well above the 200,000 hectolitres produced each year.

"We have no holidays, we work seven days a week and yet we cannot even supply all of Eritrea," says Mr Fessehaie Tedla, the manager, a trained chemist. "Demand is increasing every day."

The brewery once supplied the whole of Ethiopia as well as exporting to Somalia, Yemen and Djibouti, but local needs have grown to the extent that it can no longer do so. "Asmara now consumes more than 100,000 bottles every night, more than half our production, and there is demand from all over the country for more beer. All the towns in Eritrea complain they are under-supplied," says Mr Tedla.

Like much of Asmara, whose infrastructure has not been renovated since the Italians left, the brewery has a period feel to it. European experts shown round the premises and accustomed to the latest word in brewing techniques often express astonishment that it is operating at all.

"Some of the equipment – the carbon dioxide plant for example – is 40 years old. It should be in a museum really," says Mr Tedla. "But by keeping the plant very clean and maintaining the equipment, we find it works well enough."

Indeed, the spotless brewery, distillery (producing 96.5 proof alcohol) corking unit and liquor factory (producing gin, cognac, anis and Fernet Branca) make a 20m birr ($2.7m) after-tax profit each year. All raw materials except water are imported, but the factory recoups some of its costs by selling carbon dioxide to soft drinks factories, recycling its bottles and selling malt trash as cattle feed.

Management expects a growing economy, in particular the predicted start-up of Eritrea's tourism industry, to double demand in the next year. To keep pace, it is planning to install an extra malt mill, new storage and fermentation tanks and to expand the cooling area.

As one of more than 40 public companies taken over by the EPLF, the brewery is fated for eventual privatisation and there has been no shortage of foreign companies showing an interest in what is viewed as a model factory.

But the brewery's very profitability – a factor setting it apart from what are for the most part loss-making, overstaffed enterprises – may encourage the cash-strapped government to delay surrendering control. "This won't be the first company to be privatised," predicts Mr Tedla. "In fact, it is more likely to be the last."

Michela Wrong

■ **Oil and minerals:** by Michela Wrong

Caution is the watchword

During the next couple of years it will become apparent whether Eritrea has reserves worth exploiting

When Yemeni and Eritrean troops clashed last month over the Red Sea island of Greater Hanish, the international reaction was one of bemusement. What did this sun-blasted lump of rock have to offer that could possibly be worth two former, cash-strapped allies going to war?

The answer is: maybe nothing at all, or maybe a great deal. Like Rip Van Winkle waking from a 30-year slumber, Eritrea – under the watchful eye of its neighbours – is only now taking stock of assets that were untapped and inaccessible during the war: more than 1,000km of potentially oil-rich coastline; waters teeming with fish; and a cragged interior with gold, silver, copper, zinc and lead deposits.

With foreign companies hovering greedily over this unspoiled territory, 354 hitherto neglected islands off the Eritrean coast have suddenly acquired new value. And because the country's coastal limits have never been officially delineated, the possibilities for territorial squabbling are myriad.

While the UN tries to mediate a solution to the Greater Hanish dispute, experts are still trying to establish if there is anything under the Red Sea worth fighting about.

First indications seem promising. Offshore seismic studies carried out in the 1960s by Gulf Oil, Mobil and Esso in the area, whose rock formation resembles that found off Egypt's coast, indicated oil was present. A gas well drilled by Mobil blew out. Prospects were encouraging enough for Ethiopia to push for further exploration in the early 1970s, but the revolution and guerrilla war put paid to such dreams.

"The whole Red Sea Coast is one of the least studied areas in the world, but there are reasons to think it could be very promising," says Mr Tesfaye Gebreselassie, the energy and mining minister. "There has been leakage in the past and seismic surveys have confirmed the existence of geological structures conducive to oil."

Although the government is in talks with Mobil, Amoco and IPC and has passed a petroleum code designed to encourage investment, it is moving slowly, aware of its inexperience. It has so far granted only one concession: to the Houston-based consortium Anadarko which has won a seven-year, $28m contract to carry out survey work and test drilling in the Dahlak island area, just off the port of Massawa.

If a question hangs over Eritrea's possible oil wealth, the existence of a vibrant artisans gold mining industry leaves few doubts about its mineral deposits.

Gold mining in Eritrea can be traced back to ancient times – the country used to supply the Pharaohs of the fourth dynasty with ore and was reputed to be the site of King Solomon's mines. Italian colonialists were well aware of the potential, sinking 21 mines in the 1930s and 1940s, while the Japanese came in search of potash and copper in the 1960s and 1970s.

Once again conflict meant developers only scratched the surface before abandoning their equipment and departing.

The government, which last year passed a mining law offering tax incentives and guaranteeing repatriation of profits, is carrying out survey work with help from Australia and has identified 17 important areas of interest. They focus on Asmara and its surrounding belt – believed to be rich in gold and base metals – the south-west region and an area around the town of Keren, both suspected to have gold deposits.

Twenty foreign companies, including such giants as Ghana's Ashanti Goldfields and South Africa's Anglo American, have applied for permission to mine. But the authorities are only planning to grant five or six licences and those will be for exploration alone.

"We were faced with two options," says Mr Gebreselassie, "either to go directly into mining or continue further explorations. Some companies say mining immediately would be more profitable, but we see things differently. We want to delineate our findings completely and then decide which technologies are most appropriate."

Caution is the watchword when it comes to exploiting Eritrea's hidden reserves. Mining companies will be obliged to ensure their own water supplies in a country where the commodity is in short supply: oil companies will be carefully monitored for possible pollution.

Analysts regard the next couple of years, which will reveal whether Eritrea has reserves worth exploiting, as critical. "If the oil fields prove fertile, we're talking hundreds of millions of dollars coming in over the next 10 years," says Mr Robert Houdek, the US Ambassador. "It's going to be big time investment."

But while substantial doubts remain, officials are carefully keeping a lid on public excitement, anxious that Eritrea's resources should not be regarded as a panacea, undermining the national credo of austere self-sufficiency and encouraging neglect of the agricultural sector.

"We don't want our people to entertain uncertain hopes, so we are keeping a very low profile," says Mr Gebreselassie. "People who have suffered so long want things to happen quickly, we know that. But sometimes it is dangerous to be overambitious."

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The Eritrean Shipping Line was formally established in October 1992. The Company owns and manages the following fleet.

Name of Vessel	Type	DWT
M.V. SALAM	General Cargo	2910
M.V ANGELOS	General Cargo	715
M.T. BEILUL	Tanker	3160

At present all the three vessels are plying within the Red Sea and Persian Gulf areas providing dependable services at competitive freight rates. Though the company is new, it is well organised with qualified staff. With the intention to turn its long term vision into a reality the Eritrean Shipping Lines is committed to generally enhance its activities. By 1996 it will add two vessels to its fleet. It has also plans to involve in chartering. To make its business professionally successful the Company is contemplating to establish relations with experienced and reliable shipping companies. The management believes that any interested body will find working with the Eritrean Shipping Lines worthwhile. The Eritrean Shipping Lines play a leading role in providing excellent shipping services in a multi modal transport system to the region, where it belongs, as a whole.

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Guide for business visitors

In Eritrea, a visitor's expression of exasperation over a bureaucratic delay will often trigger the slightly haughty reproof: "This is a new country. We are building from scratch. What do you expect?"

Indeed, most of the irritations encountered by the newcomer can be attributed to the administrative confusion inevitable in a state which is still drawing up its legal framework and whose infrastructure has been scarred by the war.

But everywhere attempts are being made to modernise and no one can leave without being impressed by the efforts the population is making to push the country into the 20th century. Eritreans are helpful and highly motivated, although language can be a barrier. Older Eritreans speak Italian, younger ones English, but conversations in both can be shaky.

Because disparities in incomes have yet to develop – a minister lives in the same modest style as a taxi driver – there is virtually no crime. It is possible to stroll the streets at night without fear and while whites are enough of a rarity to get stared at, they will only occasionally be asked for money.

At the moment Eritrea is one of the cheapest destinations in Africa. Rooms in the best hotels cost $40-$70 a night, taxis can be hired for the day for about $25 and a three-course meal comes in at under $15.

For practical information, the guidebook *Eritrea at a glance* – price 100 birr and available in Eritrea – is an excellent buy.

■ **Telephones:** international code for Asmara is 291 - 1.

■ **Getting there:** Eritrea is not exactly on the beaten track. Lufthansa is currently the only western airline flying to Asmara, so many travellers fall victim to the vagaries of Ethiopian Airlines, prone to cancellations and delays.

Flights to the rest of Africa, except for Sudan, involve a stop at Addis Ababa.

Visitors need a visa unless they make prior contact with the Investment Centre , which can authorise visas to be issued at the airport. It is not necessary to declare foreign currency on arrival. On departure, there is a $10 airport tax.

■ **Airlines:** Ethiopian Airlines: 12 75 12, 12 68 27, 12 54 36; Lufthansa: 18 27 07; Saudi Airlines: 12 01 66; Egypt Air: 18 14 61, 18 10 40; Yemenia: 12 01 99.

■ **Places to stay:** Both Asmara and Massawa suffer from a severe shortage of hotel space, so booking is wise. Those expecting five-star standards will be disappointed – the hotels are either in a state of genteel dilapidation or are being renovated.

The Amba Soira, Selam, Hamasien and Keren are all central, the Bologna a little more isolated. If most hotels are full the Nyala, one of the largest, usually has room. Calling home can be laborious – the telephone system is due for modernisation but at the moment international calls go through an operator. Sending or receiving faxes can be tricky and is always expensive.

■ **Hotels:** Amba Soira: 12 32 22, fax 12 25 95; Selam: 12 72 44, fax 12 06 62; Hamasien: 12 34 11 (uses Amba Soira fax); Keren: 12 07 40 (no fax); Bologna: 18 13 60 (no fax); Nyala: 12 31 11, fax 12 31 11.

■ **Contacts:** Asmara Chamber of Commerce: 12 13 88, fax 12 01 38; Investment Promotion Centre: 11 88 22, 11 81 24, fax 12 42 93; Ministry of Finance: 11 38 33, fax 12 79 47; Ministry of Trade and Industry: 11 78 06, 11 39 10, fax 12 05 86; Ministry of Energy and Mines: 11 68 72, fax 12 76 52 (dept of energy), 11 23 39, fax 11 29 94 (dept of mines).
Ministry of Tourism: 12 69 97, 12 99 99; Ministry of Agriculture: 18 14 99, fax 18 14 15; Central Bank: 12 30 36, 12 30 33, fax 12 31 62. US embassy: 12 34 10; Italian embassy: 12 01 60; Israeli embassy: 12 01 37; Ethiopian embassy: 11 63 65; British consulate: 12 34 15.
British-Eritrean Assoc in London: 0181 841 1445. Italian and African Chamber of Commerce in Milan: 00 392 3452 461-5.

■ **Places to eat:** Mussolini's occupation left its traces on national cuisine. Walk into any of the bars or latterie (snack bars) and you are transported to an Italian cafe: the same dated Campari advertisements, hissing coffee machines, and hustle and bustle. The Bar Vittoria is particularly atmospheric. Castello's (tel 12 04 53) offers traditional Italian "primos" and "secondos", Bologna's (18 20 97) is more upmarket. Pizza Napoli (12 37 84) serves good pizzas.

The Cherhi Chinese restaurant has panoramic views of Asmara. For traditional Eritrean food, based on injera – a sour pancake used to scoop up stews and vegetables – try the Nyala Hotel's restaurant.

■ **Getting around:** Asmara is a small town and many government offices and hotels are within walking distance of each other. But private transport makes sense until you know your way around.

Taxi fares increase outside the city and at night. Highly recommended is taximan Teklay Gabre Sellase, known as "Haraka", a war veteran with good connections. He can be telephoned via friends on 12 70 32. It is also possible to rent a car from the Eritrean Tour Service (tel 12 49 99) or Nile Enterprise (12 51 07). There is no domestic airline.

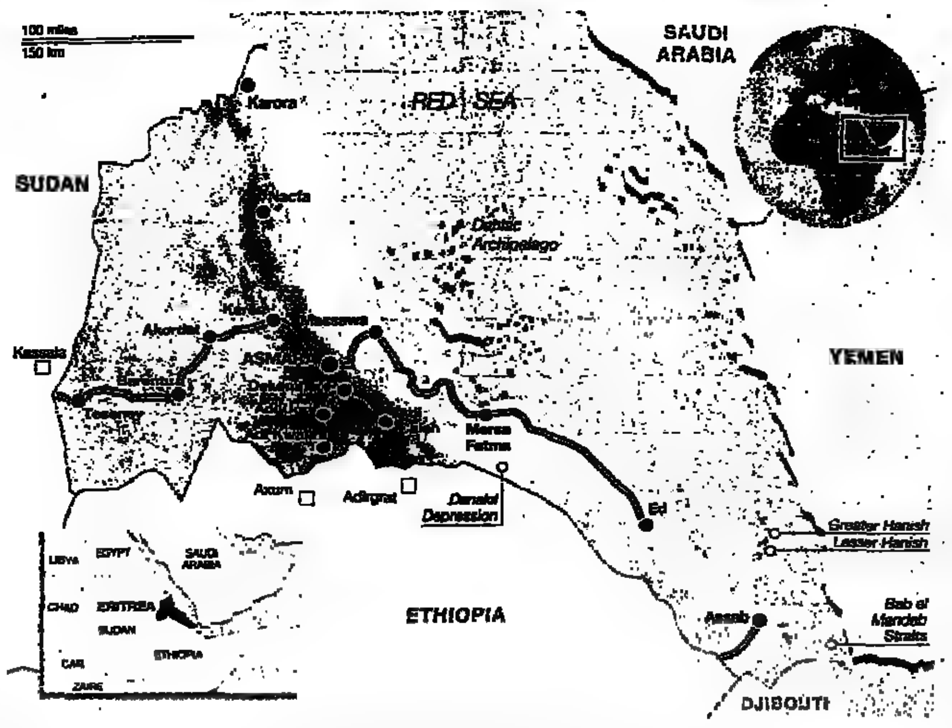
■ **How to pay:** Branches of the Commercial Bank of Eritrea will change dollars or traveller's cheques and give a better rate than the hotels. Credit cards are rarely accepted and traveller's cheques will usually be refused outside Asmara. Visitors are expected to pay bills at government-run hotels and buy airline tickets in dollars or dollar-denominated traveller's cheques.

■ **Things to do:** With its coptic churches and mosques the palm-fringed capital of Asmara is a pleasure to explore. In the old part of town, the souk gives a taste of the Middle East. The Governor's Palace, Haile Selassie's provincial residence, has beautiful grounds and a military museum charting the EPLF's campaigns.

Even more redolent with recent history is the tank graveyard, where the Ethiopian army dumped damaged Soviet hardware. For souvenirs, gold and silver-smiths sell beautifully-worked jewellery. Leather is of high quality but bag and shoe styles rarely match western tastes. For excursions, a drive to Keren, site of British and Italian second world war graveyards, takes two hours.

A trip to Massawa is worthwhile but because the drive to the coast takes three hours, a long weekend is recommended. Boats leave Massawa for the coral islands, a snorkelling paradise. Very few boats are licensed and therefore it is worth booking ahead with Dania Avallone, Diving Services Division, Ministry of Marine Resources, (55 26 88, fax 55 24 98), Dahlak Sea Touring (55 24 89), or Captain Mohammed Gazz (55 21 19).

Michela Wrong



Key facts

Head of state:	President Isaias Afeworki
Ruling party:	People's Front for Democracy and Justice (PFDJ)
Capital:	Asmara
Currency:	Ethiopian birr = 100 cents since 1991
Exchange rate:	5.80 birr = 1$ (Jan 1996)
Area:	125,000 sq km
Population:	2.5m-3m (1994)*
GDP per capita:	$130-$150 (1993)
Net private remittances:	$76.4 (1992)
External debt:	less than $75m
Time:	GMT +3.

Climate: Depends on altitude. Coastal and lowland regions very hot and dry throughout the year. On plateau (including Asmara) dry season from Oct-May with temperature range from as low as 6°C in December to 26°C in March (light rain from Feb-Apr). Temperatures can fall sharply at night during the dry season. Rainy season from Jun-Sep with average temperature 21°C.
Entry requirements: Passport and visa required by all.
Health precautions: Mandatory: yellow-fever vaccination certificate required if travelling from an infected area. Advisable: yellow-fever, cholera, typhoid and polio vaccinations. Malaria prophylaxis recommended for visits outside Asmara. Water precautions needed.
Travel: International departures tax: $10 (Jan 1995). International airport: Asmara-Yohannes IV (Code: ASM), 9km from city

Sources: World of Information, World Bank and government estimates

PROFILE Port city of Massawa

Phoenix rises again

During the second world war, when it became clear that the battle against the Allies was lost, a despairing Italian general ordered ships anchored at Massawa to be scuttled. No one, he swore, would ever dock at the Red Sea port again.

The incident was somehow symbolic of Massawa, Eritrea's second city. Over the years the wrecked ships were dredged up, and the port is once again in use. Through history, many have tried to destroy Massawa, but it has shown an uncanny ability to rise from the ashes.

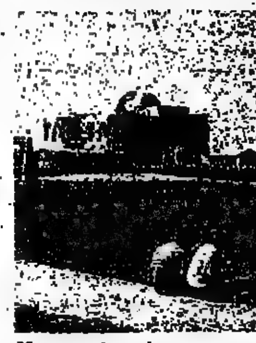
Today, the port city, site of some of the most horrific fighting seen during the war of independence against Ethiopia, is a microcosm of what is happening across the country. Despite the appalling devastation inflicted – 90 per cent of this town of 80,000 inhabitants was flattened in 1990 in a 10-day battle which was to prove a turning point in the EPLF's campaign – Massawa is humming with life again.

Work crews are everywhere, pulling down shell-shattered buildings, repairing damaged harbour berths, laying the foundations of schools, and putting up thousands of cheap new dwellings for returning citizens.

The government has ambitious plans for Massawa: President Isaias Afeworki has said he sees its development as integral to the economic recovery. The port's location makes it a natural focus for the three sectors the government hopes will bring prosperity to Eritrea: fishing, tourism and oil. Sprawling across two islands linked to the mainland by causeways, Massawa retains its Ottoman charm, with many of the 500-year-old coral-brick villas having miraculously survived bombardment. Off the coast lie 354 unspoilt islands, only 10 of them inhabited, boasting limpid waters where dolphins cavort and coral forms stunning underwater groves.

The government hopes to use its 1,200km coastline – neglected by all but a few yachting enthusiasts and scuba diving companies – to lure visitors from Europe and the Middle East. One of Eritrea's strong selling points is that as a secular state with no prohibitions against drinking or gambling, it offers a place to relax for those seeking a break from strict laws in their own countries.

With the Saudi market clearly in mind, a US company is already bidding to build a $200m-$300m casino and hotel complex on the Dahlak islands, 1½ hours by motorboat from Massawa.



Massawa has shown an uncanny ability to rise from the ashes

"We have many advantages," says Mr Saleh Meky, minister for marine resources. "One of these is that we are not Islamic. We are relatively free. Those are factors we can exploit."

The eventual aim is also to develop the hinterland, drawing visitors to the Asmara, the capital, with its mosques and coptic churches, and linking up with tours to the magnificent ancient monuments of neighbouring Ethiopia. For those interested in more recent history, there are the battle sites and extensive underground complexes where the EPLF eked out the years in exile.

An enormous amount of work needs to be done. A big problem is the lack of water which is scarce in this region. Air links with the west and the rest of Africa are poor and the trip between Massawa and Asmara must be done by road, currently a three-hour trip through the mountains. Both of the main cities are desperately short of rooms and none of the dilapidated hotels would qualify as five-star. Middle East buyers have shown interest in two of Asmara's government-owned hotels, but new ones are desperately needed.

Mrs Worku Tesfamikael, the tourism minister, says the government sees no point in marketing Eritrea as a location until the accommodation problem has been solved. "At the moment we have virtually no tourists. But the instant we build good hotels, they will start coming in."

In the short term, the fishing industry may be easier to exploit. These waters are dubbed "fish soup" in recognition of the 1,000 species they host. In the 1950s, Israeli companies, who enjoyed a monopoly, used to export 20,000-25,000 tonnes of fish a year. Stocks have barely been touched since then and Mr Meky believes Eritrea could export 80,000 tonnes; a rich alternative to the exhausted Mediterranean.

Saudi, British, Greek, Dutch and Israeli fishing companies are already operating on a small scale, exporting sardine, tuna, shrimp, lobster, exotic fish destined for aquariums and sea cucumber for the oriental market. The government has asked them to invest locally in return, building much-needed cold storage facilities, boat yards and processing plants.

A big obstacle remains the failure to define Eritrea's coastal waters. Last month's military clash with Yemen over the ownership of the Hanish islands, which left at least a dozen people dead and two former allies at loggerheads, highlighted the pressing need to draw up a legal framework before any serious development takes place.

Michela Wrong

NATIONAL BUSINESS CONFERENCE & EXHIBITION: ERITREA'S MIRROR

The National Business Conference and Exhibition (NBCE) held from the 9th to the 17th of December, 1995 was launched to address the social, political, cultural and economic problems that are impediments to business and entrepreneurship development and to recommend ways and means of achieving stable growth in the next five years. The NBCE has come up with the following recommendations to foster an enabling environment for business development and entrepreneurship and in the process promote sustainable development through judicious distribution of resources and the optimal utilisation of external resources that will, in a programmed way, be replaced by internally generated resources.

MACROLEVEL PLANNING, POLICY ANALYSIS & ECONOMIC REFORM MANAGEMENT

Strengthening the policy research and analysis capacity, improving forecasting and analytical methodology, improve public expenditure control; establishment of an integrated macroeconomic management information system; promotion of Government and private savings and their effective management to carry out macro-economic and management functions with special emphasis on co-ordinating policy analysis of overall macroeconomic weaknesses.

PRIVATE SECTOR DEVELOPMENT

Review of legal and regulatory framework; strengthening investment offices; capital market development; enhancing the role of Chamber of Commerce as interlocutor; strengthening Professional and Entrepreneurial Associations; investment promotion entrepreneurship development programme; credit schemes for the informal Sector; improving information and advisory services; technology transfer, upgrading and extension service; strengthening of capabilities in extension service and marketing of viable rural technologies; business management training.

PUBLIC ENTERPRISE REFORM/ RESTRUCTURING & PRIVATISATION

In tandem with the policy-legal measures, the government has implemented a series of administrative measures related to public enterprise reform including abolition of multi-firm public corporation as part of reducing the layers of decision-making and control organs; establishment of a Privatisation Agency to undertake divestiture of State owned enterprises.

DEVELOPMENT AND IMPLEMENTATION OF REFORM MEASURES

Policy Review and Reform; establishing an effective management information; rationalisation and promotion of civil service training and skill upgrading; establishing organisational capacity for privatisation and creating and strengthening institutional and legal framework for privatisation.

PROGRAMME FORMULATION, DEVELOPMENT & IMPLEMENTATION ARRANGEMENTS

This remains the bed-rock of the development programme for the next few years. It is expected to finance the development of programme areas in entrepreneurship and private sector development; management of economic and technical change; capital and technology; marine resources development, food security and environment; human development, human resources development and utilisation, infrastructure, rural and regional development.

For further information please contact:

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To hell and back in the city of stars

LEAVING LAS VEGAS
Mike Figgis

MUTE WITNESS
Anthony Waller

DANGEROUS MINDS
John H. Smith

THE UNDERNEATH
Steven Soderbergh

Leaving Las Vegas is a piece of dream film-making that may sound like your worst nightmare. Having struck Las Vegas off your list of favourite cities after *Showgirls*, you are now invited back to watch love grow between a dying alcoholic screenwriter (Nicolas Cage) and a hooker with a heart (Elisabeth Shue).

For production values there are grainy super-16mm photography and a $3m budget, which would not buy you one sixth of a Sylvester Stallone performance. For dramatic highlights there are scenes of rapes, beatings and drunkenness. For subjects of conversation, there are sex, drink, more sex, more drink, love and acceptance.

Yes, love and acceptance. Improbably they are the main themes of this film from British writer-director Mike Figgis, adapting a novel by John O'Brien, who like his own protagonist effectively drank himself to death.

Cage and Figgis start by creating a hero whose alcoholism is horrifying even as it is funny: supermarket trolleys filled with spirit bottles, drink-driving as a way of life, and shaking fits so violent that he cannot sign his name in a bank but must come back again after a liquid lunch. Then, when he flees east from L.A. to L.V. to hurl himself on oblivion's mercy, he meets a girl who has learned tolerance as a vocation. A streetwalker with few demands – "Don't come in my hair, I just washed it" – she can summon the courage to watch self-destruction even in a man she grows to love.

How this film found an intelligent gap between miserabilism and sentimentality we shall never know. But Figgis finds not a gap, more a universe. A director whose last film *The Browning Version* was a holiday oddity in a career strong on love and pain (*Internal Affairs, Liebestraum*) discovers both agony and celebration here. In the background is a Las Vegas depicted as a tremulous libation of garish colour and saturation darkness (superb photography by Declan Quinn), chased down with Figgis's own jazz score spiked with Sting vocals. In the foreground are two players who deserve every statuette in the 1996 cupboard.

Nicolas Cage may now be the best screen actor in America. His face has always looked like a comedy mask rented by an escaped soul from Hell. But here the hilarity of his poses and postures – like every self-respecting drunk he is tireless in search of the *bon mot* and the *grand geste* – seem inseparable from the hollow screams of his hollowed eyes. At one moment he looks like Gene Wilder, at another like a refugee from a Goya painting.

Elisabeth Shue achieved modest fame as Tom Cruise's bimbo in *Cocktail*. She too must have been to Hell and back in the meanwhile. Or else Figgis, detecting in her the despair of the career starlet, dragged it out through her overpractised smile and on-the-turn Sandra Dee prettiness. Shue reveals herself slowly but mesmerisingly: as if the whole film, not just her explicit scenes of shrink confessional, were a therapy session. By the close we believe that this girl would martyr herself for a love that buys emotional truth at the cost of physical annihilation.

Truth, internal or external, is so rare in mainstream cinema that we keep rubbing our eyes here. Are we really watching a wide-release American movie in which a character sits down on the loo in the middle of a conversation; in which an unsparing camera lingers on the heroine's goose-pimples in a scene of poolside disrobing; in which there is a grease stain on the wall against which a character has been leaning his head; in which . . .

Strong on love and pain: Elisabeth Shue and Nicolas Cage in 'Leaving Las Vegas'

But the "in-whiches" are limitless. And none of them would mean anything if they were not symptoms of the movie's larger reality. In the city of the stars, Figgis first turns his own stars into human beings and then turns them back, pasted onto the dark cloth of his story, into luminous, unforgettable exemplars of our own struggle against the night.

★

British film-makers fleeing their underpowered native industry stow away on any plane they can find. While Figgis goes to Vegas to do a psychodrama, first-time writer-director Anthony Waller goes to Moscow to do a murder thriller.

Mute Witness was the toast of the Cannes sideshows last year. The plot plays raggle-taggle variations on a single scary premise: young mute girl (Marina Sudina) is chased after witnessing a snuff murder in a nocturnal film studio. The production values are basic and the dialogue is Babel (English, Russian and pidgin variants in between). And you will see no famous actors unless you count – indeed are quick enough to spot – Sir Alec Guinness in a small role as "the Reaper".

It works brilliantly. The heroine, a make-up girl on a migrant American horror production, spends 90 minutes hurtling along corridors, down lift shafts, through windows, up streets, into baths (always a bad move in horror films). In addition to having witnessed the killing, she carries an incriminating diskette.

The film is only a game, but it is played with skill, ingenuity and gallows wit. You might pay special attention, in the event that you are ever chased by a murderer yourself, to the use made by the heroine of a hairdryer, an answering machine and a Peeping Tom in a window across the street.

Dangerous Minds is the blithely batty tale of a beautiful ex-Marine (Michelle Pfeiffer) who becomes a teacher in a life-endangering school. "Children with special needs" here means children with guns, knives, drugs and a tendency to cluster in riotous groups all over the classroom. Our heroine wants to teach them Dylan Thomas, but has to settle for Bob Dylan. Even that is managed only after she has first gained their attention with karate lessons.

Life at this Bash Street High is based on a real teacher's memoirs. However, we beg leave to doubt that author LouAnne Johnson looked like Michelle Pfeiffer, who would surely have been ravished behind the bike shed on day one. We also doubt that the trajectory from pandemonium to scholastic peace was achieved quite so quickly. The producers, though, were Don Simpson and Jerry Bruckheimer, famed for such testosterone sagas as *Top Gun* and *Crimson Tide*. They were clearly not going to sit around letting this *Blackboard Jungle II* get infected with cissy docudrama.

Where *Dangerous Minds* thrived at the US box office and has prompted the tribute of a feature-length spoof, now being made by the Zucker brothers of *Naked Gun*, *The Underneath* collapses under the weight of its humour-free derivativeness.

Remaking the 1946 thriller *Criss Cross*, Steven Soderbergh piles on the Expressionist mannerisms. As hero and moll (Peter Gallagher, Alison Elliott) grapple with crime and passion in modern Texas, there are *noir* shadows, tricksy focus-pulling and even a *Caligari*-like hospital room with crooked windows. All that is missing are recognisable human beings with recognisable dilemmas: the very things we might have expected from the director of *sex, lies and videotape*.

Musical

The new Norma Desmond

The character of faded silent-movie queen Norma Desmond is one of the greatest grotesques in cinema, and even as romanticised in Andrew Lloyd Webber and Christopher Hampton's stage musical of *Sunset Boulevard* she retains a serviceable set of fangs. Petula Clark, always the sweetest of 1960's female singers, would seem to be much too pleasant a choice to play such a sinister, cracked recluse. On this occasion, advance assumptions are borne out by the reality.

Clark hits her marks, hits her notes and makes her gestures all as required, but seldom if ever does her performance convey a sense of Norma-esque spirit. Her voice has consummate professional clarity and power, but never really puts across Desmond's emotions: in the closing bars of her return-to-the-studio number "As If We Never Said Goodbye", Clark's sobs seem to come on cue rather than from the heart of the character.

Likewise, her first act hymn to the glories of the silents, "New Ways To Dream", lacks sufficient passion to get her over the niggling paradox of devoting a front-rank musical number to the days when "we didn't need words – we had *faces*". Clark's own face is hidden beneath garish make-up, but nevertheless looks less like a frightening mask badly concealing the ravages beneath than the attempt of a 1970s punkette to scarify what are not particularly striking features. The shock I felt in 1993 when Patti LuPone's Norma appeared suddenly (supposedly) un-wigged and un-cosmeticised were so absent this time that only several minutes in did I realise I was watching the same scene. Norma needs that demonic edge to counteract the dilution wrought on Billy Wilder's original story by Hampton; although the first major number "Let's Have Lunch" is refreshingly cynical, thereafter the nasty smell of Hollywood is masked by the perfume of big-budget stage musical values.

It is also necessary because, despite Norma being both the star character and invariably the biggest name performer, *Sunset Boulevard* is not fundamentally her show. It is primarily the story of struggling writer Joe Gillis, who first finds that he has inadvertently wandered into Norma's time-warp palazzo, and equally warped delusions, then tries agonisingly to extricate himself, sneaking away to work on an original screenplay with his best friend's girl. Joe is absent from only three or four of the show's 21 scenes, and carries the bulk of the narrative.

Alexander Hanson is a tad insouciant at times as Joe, but has a nice edge of self-despising stoicism as someone who has made his own gutter in Hollywood and accepts that he must lie in it. Hanson's skilful musical delivery makes up for a slight thinness to his singing voice; Joe and Betty's big duet "Too Much In Love To Care" is still more genuinely affecting than any of Norma's show-stoppers.

Nearly four years on *Sunset Boulevard* has become a fixture: the ensemble players are sometimes unable to conceal the knowledge that they are just doing a regular job, and even the trucks and flies of John Napier's astoundingly complex set move now and then with a careless jerk. It will, however, take much more to close the show than Petula Clark's attenuation of the charisma of Norma Desmond.

Ian Shuttleworth

At the Adelphi Theatre, London WC2 (0171 836 7611).

Opera/Richard Fairman

'Midsummer Marriage' comes of age

It was a close call which was the most unmissable operatic event of the evening. Either one could be in the audience for the Royal Opera's new production of Tippett's *The Midsummer Marriage* or stay at home and watch the company being taken apart in the first of BBC2's fly-on-the-wall documentary series, which brings prima donnas in full cry into your living-room – and that is just the board meetings.

It would be too glib to say that the most compelling drama at Covent Garden these days happens off-stage. A staging of Tippett's inspiring first opera is a major undertaking. Performed complete, as it is here, *The Midsummer Marriage* lasts a magisterial four hours in the theatre, during which its ambitious fusion of dance, ritual and famously awkward-to-play music aims to lift artistic consciousness to the highest level.

Tippett must be one of history's most widely-read composers. Drawing on Jungian philosophy, on Greek and Indian myth, on Shaw and Eliot, on Wagnerian symbolism and Mozartian fantasy, he has written an opera that bears centuries of human thought on its shoulders. His detractors may say that it staggers under the weight of all its philosophical baggage, but seeing the opera on stage is enough to convince one that Tippett is glorying in his knowledge of the past rather than having his back broken by it. Few operas rejoice in music that is so uplifting.

There have already been two earlier productions of *The Midsummer Marriage* at Covent Garden. The first, which was the premiere in 1955 (there are photos in the programme), took the references to ancient civilisations seriously. There were temples and a lot of fetchingly camp tunics. This time the producer, Graham Vick, and his designer, Paul Brown, have done away with all that, jettisoning the resonance of the classical allusions in favour of present-day immediacy.

On walks a colourful band of midsummer day-trippers. One carries a ghetto-blaster; another takes Polaroid snaps. Their idea of summer fashion is so grotesque, we can guess they are probably British. Those who turn up with hampers are presumably refugees from Glyndebourne (Vick does not forget his summer home easily). One and all, they are children of the age of Aquarius – so Tippett may approve.

Half the opera is pitched at this worldly level and it is the half that works best here. Lillian Watson's petite, blond secretary Bella and Christopher Ventris's sturdy workman Jack are society's archetypal C1 couple, neatly played and sung. John Tomlinson, storming Valhalla with every role he plays, makes a magnificently domineering King Fisher, who punches out every line of Tippett's notoriously mystifying text.

The other half aspires to the stratosphere in artistic and philosophical terms, but at this performance it seemed reluctantly earthbound. Cheryl Barker's vibrant Jenifer and Stephen O'Mara's rather constricted Mark coped bravely with Tippett's optimistic ideas of what a voice can manage and it was a pity that their final duet was lost behind the petals of the giant flower that finally swallowed them.

The He-Ancient of Peter Rose and She-Ancient of Eiddwen Harrhy were played as black-suited elders with bare feet, which wanted some mystic authority. Catherine Wyn-Rogers's scene as the clairvoyante Sosostris had some atmosphere and she sang with due gravity.

Vick is admirably true throughout to the detail of Tippett's stage instructions, but his production risks seeming literal also in the sense of mundane. The semi-abstract setting admits little feeling of a hallowed place. At the end a half-hearted sunrise over an empty stage failed to say anything commensurate with the surge of emotion emanating from the orchestra. What life-enhancing music this is, stirring as deep in the heart as ever under Bernard Haitink's baton, even if the players still struggle untidily over a lot of it.

In the 1950s people may have found *The Midsummer Marriage* too new or strange or complex, but now there is no reason not to surrender to a score that is teeming with life and an inspirational richness of invention. Tippett – at 90, a He-Ancient of some wisdom and authority himself – has always been a visionary looking to the future. His music has come of age.

Sponsors: The Robert Gavron Charitable Trust with support from The Foundation for Sport and the Arts.

Alastair Muir

Cheryl Barker: vibrant as Jenifer

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Schoenberg Ensemble and Asko Ensemble: with conductor Reinbert de Leeuw and soprano Rosemary Hardy perform Reich's "Eight Lines", Birtwistle's "Four songs by Jaap Kaplinski", Andriessen's "Zilver", Knussen's "Two Organa", and the world premiere of Wagenaar's "Trois poèmes en prose"; 3pm; Jan 20
JAZZ & BLUES
Bimhuis Tel: 31-20-6233373
● Tome XX: contemporary jazz by trumpeter Thomas Heberer, saxophonist Dirk Raulf, double bass-player Dieter Manscheid and drummer Fritz Wittek; 9pm; Jan 20

■ BERLIN

DANCE
Deutsche Oper Berlin
Tel: 49-30-3438401
● Onegin: a choreography by John Cranko to music by Tchaikovsky, performed by the Ballett Deutsche Oper Berlin. Soloists include Raffaella Renzi, Marguerite Donlon, Alexei Dubinin and Yannick Boquin; 7pm; Jan 20
OPERA & OPERETTA
Staatsoper unter den Linden
Tel: 49-30-2082861
● Aida: by Verdi. Conducted by Asher Fisch and performed by the Staatsoper unter den Linden. Soloists include Alessandra Marc, Andreas Kohn, René Pape and Bernd Weikl; 7pm; Jan 19

■ CLEVELAND

EXHIBITION
Cleveland Museum of Art
Tel: 1-216-421-7340
● Isamu Noguchi: Early Abstraction: this exhibition offers an examination of three sculptures on view through 20 related black-and-white gouaches, completed by Isamu Noguchi (1904-1988) following an apprenticeship with sculptor Constantin Brancusi in Paris in 1927. The drawings have not been seen publicly since Noguchi's return to New York in 1929; to Jan 24

■ DRESDEN

DANCE
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Rot und Schwarz: a choreography by Scholz to music by Berlioz, performed by the Ballett Dresden; 7pm; Jan 19
OPERA & OPERETTA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Lohengrin: by Wagner. Conducted by Peter Schneider and performed by the Sächsische Staatsoper Dresden. Soloists include Siegfried Vogel, Klaus König, Luana DeVol, Hans-Joachim Ketelsen and Dame Gwyneth Jones; 6pm; Jan 21

■ EDINBURGH

EXHIBITION
Scottish National Portrait Gallery
Tel: 44-131-5568921
● The Carrick Family in Russia: this exhibition tells the story of a Scottish family in Imperial Russia. Their changing fortunes took them from the elegance of the St Petersburg of the Tsars to Stalin's labour camps. The photographs by William Carrick are a document of a society on the eve of revolution; to Jan 21

■ EINDHOVEN

CONCERT
Muziekcentrum Frits Philips
Tel: 31-40-2442020
● Roberta Alexander: accompanied by pianist Tan Crone. The soprano performs songs by Brahms, R. Strauss, Barber and Ives; 8.15pm; Jan 23

■ FRANKFURT

CONCERT
Jahrhunderthalle Hoechst
Tel: 49-69-3601240
● Chicago Sinfonietta: with conductor Paul Freeman and the Morgan State University Choir perform Gershwin's "An American in Paris", "Concerto in F" and excerpts from "Porgy and Bess"; 8pm; Jan 23

■ GLASGOW

CONCERT
Glasgow Royal Concert Hall
Tel: 44-141-3326633
● Royal Scottish National Orchestra: with conductor Walter Weller and trumpeter John Gracie perform Haydn's "Symphony No.83 in G minor (The Hen)" and "Trumpet Concerto in E flat major", and Tchaikovsky's "Symphony No.4"; 7.30pm; Jan 20

■ LONDON

CONCERT
St Giles Cripplegate
Tel: 44-171-6388891
● Duke Quartet: and pianist Philip Mead perform Ives' "Piano Sonata No.1", "String Quartet No.1" and "Piano Sonata No.2"; 3pm; Jan 20
Wigmore Hall Tel: 44-171-9352141
● Natalie Clein and Julius Drake: the cellist and pianist perform works by Beethoven, Shostakovich, Bloch and Martinu; 11.30am; Jan 21
DANCE
Royal Opera House - Covent Garden Tel: 44-171-3044000
● The Sleeping Beauty: a choreography by Petipa to music by Tchaikovsky, performed by The Royal Ballet; 7.30pm; Jan 20 (2pm & 7pm), 22, 23, 24, 25, 26
EXHIBITION
Tate Gallery Tel: 44-171-8878000
● Bill Woodrow: Fools' Gold: exhibition of 15 bronze sculptures made over the last five years by the British artist Bill Woodrow; from Jan 23 to Apr 28
OPERA & OPERETTA
London Coliseum Tel: 44-171-8360111
● La Belle Vivette: adapted from Offenbach's "La Belle Hélène" by Michael Frayn. Conducted by James Holmes and performed by the English National Opera. Soloists include Lesley Garrett, Janis Kelly (Jan 23), Thomas Randle and Ryland Davies; 7.30pm; Jan 19, 23, 24

■ NEW YORK

CONCERT
The Metropolitan Museum of Art
Tel: 1-212-879-5500
● Juilliard String Quartet: perform Beethoven's "String Quartet in A major, Op.18 No.5", "String Quartet in F major, Op.59 No.1" and "String Quartet in C sharp minor, Op.131"; 8pm; Jan 19

■ PARIS

CONCERT
Théâtre des Champs-Elysées
Tel: 33-1 49 52 50 50
● Le Roi Roger: by Szymanowski. Concert performance by the Orchestre National de France, the Choeur de Radio France and the Maîtrise de Radio France, conducted by Charles Dutoit. Soloists include Zofia Kilanowicz, Wojciech Drabowich, Ryszard Miniewicz and Piotr Kusiewicz; 8pm; Jan 19
EXHIBITION
Centre Georges Pompidou
Tel: 33-1 44 78 12 33
● Tony Cragg: display of some 40 sculptures by the British artist, including four new works created especially for this exhibition; from Jan 24 to Apr 15
Musée du Louvre
Tel: 33-1 40 20 50 50
● L'Oeuvre de Limoges: exhibition of some 140 medieval enamels from the Limousin region. The major part of the exhibits comes from the Musée du Louvre and the Metropolitan Museum in New York; to Jan 22

■ SAN FRANCISCO

CONCERT
Herbst Theater Tel: 1-415-398-6499
● The String Trio of New York: with composer/pianist Anthony Davis perform Davis' "Sounds without Nouns" and classic jazz standards; 8pm; Jan 20

■ STOCKHOLM

OPERA & OPERETTA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● La Traviata: by Verdi. Conducted by Kjell Ingebretsen and performed by the Royal Opera Stockholm. Soloists include Lena Nordin, Carina Morling, Stefan Dahlberg and Anders Bergström; 7.30pm; Jan 19

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● La Plática de Los Dioses: by Hidalgo and Durón. Concert performance by La Capella Reial de Catalunya and Hesperion XX, conducted by Jordi Savall. Soloists include sopranos Montserrat Figueras and Isabel Alvarez, countertenor Carlos Mena, tenors Lambert Climent and Francesc Garrigosa, and bass Daniel Carnovich; 7.30pm; Jan 20
OPERA & OPERETTA
Wiener Staatsoper
Tel: 43-1-514442960
● Tosca: by Puccini. Conducted by Simone Young and performed by the Wiener Staatsoper; 7.30pm; Jan 19

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Financial Times Business Tonight

COMMENT & ANALYSIS

Economic Viewpoint · Samuel Brittan

Fear of something worse

The big imbalances in Europe are related to the overvaluation of the D-Mark and would be even more serious if squabbling led to Emu being put on ice

The failure of the German budget deficit – perhaps by a tenth of a percentage point – to fall to the Maastricht limit of 3 per cent of gross domestic product has provided a field day for Eurosceptics. The publication of the postponed EU business survey will provide another.

Mr Alexandre Lamfalussy, president of the European Monetary Institute, has tried to make a quick counter-attack. He does not, he has said, see any of the traditional early warning signals of a business cycle downturn, such as a worsening of profits or rising corporate indebtedness. He believes Germany is capable of meeting the Maastricht criteria, perhaps in 1996 and certainly in 1997; and France is "not that far away".

This is not 100 per cent convincing. Each slowdown has its own unique features and is not reliably signalled in advance. A more convincing answer would be that the Bundesbank (whose Council meets today) will relax its policy enough to make sure that full recovery is resumed, despite continuing talk about the money supply and inflation. A more subtle point is that a full resumption of both German and European expansion depends on a reduction of the overvalued German real exchange rate.

Meanwhile the pile-up of writings on Economic and Monetary Union continues. One outstanding publication should not be missed. This is a paper by Christopher Taylor, *EMU 2000?*, published by the Royal Institute of International Affairs (10 St James's Sq, London SW1Y 4LE). Taylor was the Bank of England's foremost expert on Emu and helped Lord Kingsdown in his recent Emu report.

The case for a single currency area is said to depend on the mobility of factors of production, the flexibility of prices and wages, openness to trade and diversity (not similarity) of production. The biggest costs of a large currency area come from the possibility of *asymmetric shocks* – such as events like German unification or oil price upheavals, which make it more difficult to devise a single monetary policy for the whole area.

Taylor distinguishes between an optimal currency area – which is best served by a single money – and a viable one where a single money is possible but not necessarily beneficial. He doubts if the 15 EU members together (or fewer if Greece is subtracted) make an optimal or even a viable area.

But there is in his view a core of six or seven countries such as Germany, its smaller neighbours and perhaps France, that form at least a viable area. Its members are not more prone to asymmetric shocks than the states of the US; and there are not the big differences in institutions and mechanisms which distinguish, for instance, the British housing market from its continental counterparts.

The word "perhaps" before France is the biggest weakness of his study, as the author is aware. One problem is to assess how far French unemployment is structural and how far aggravated by the *franc fort*. Another is the lack of feel among economists of the advantages of using "one money". The half per cent savings in transactions costs estimated by the Brussels Commission from a European single currency is almost irrelevant, as the main gains would be in escaping the volatility and unpredictability of separate exchange rates.

Most economists agree that it would be mad to enter a currency area at a conversion rate which rendered whole swathes of national industry uncompetitive. This was the case with East Germany in 1990 and to a lesser extent with Britain when it rejoined the gold standard at pre-war parities after both the Napoleonic and the first world wars. But assuming the entry rate to be as reasonable as fallible humans can make it, are there any further losses from abjuring devaluation?

The likely behaviour of a future European money has in my view to be contrasted not with ideal textbook floating but with actual market experience. Since Italy was forced out of the exchange rate mechanism, the lira has depreciated by about 35 per cent against the D-Mark, far more than any deterioration in relative cost levels. And it was only a decade ago that the dollar first doubled and then halved against the German currency. This is not to speak of the recent overshooting of the yen from which Japan is only just beginning to recover.

There are perfectly good political grounds for the UK not separating itself too far from its European partners. But Taylor tries to find an economic rationale. His belief seems to be that Emu will happen and that Britain will lose more than gain by staying outside. In the first place real interest rates are likely to be on average up to one percentage point higher because of the risk premium on sterling. Then there is the damage to the City of London which could be quite substantial if one differentiates between fund managers and security houses likely to benefit from Emu and short-term dealing institutions which are unlikely to do so.

But above all he is influenced by the UK's earlier unimpressive record in maintaining price stability on its own and the fragility of the post-1992 arrangements. These "depend heavily on the will and priorities of the government of the day, as well as on the personalities of the Chancellor and Bank governor . . . The new policy approach has not yet been put to a severe test". These points are made with much tact.

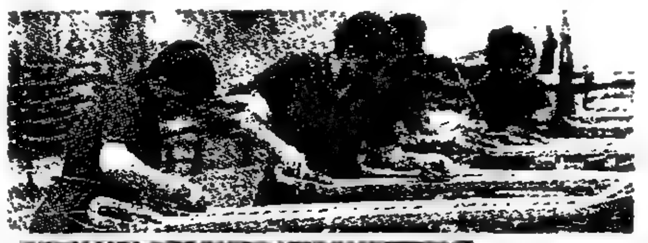
I would buy these arguments, even though they do not make as much noise as the dire warnings of Emu's opponents. But Emu will not happen without Germany. Until recently the German case for Emu was purely political. Nobody expected the "Euro" to be more stable than the D-Mark. Now, however, an economic case is emerging as a result of the uncompetitiveness of the German traded goods sector both in Europe and in the wider world.

Eurosceptics might answer that in that case the Bundesbank should simply loosen monetary policy enough to cause the D-Mark to depreciate. Bernard Connolly, the EU official suspended for criticising Emu, makes the interesting point that there is nothing wrong with competitive devaluation, as it simply causes countries to loosen monetary policy in the face of a deflationary threat. This might be true in a 1930s-type depression. But in today's conditions uncoordinated national policies aimed at depreciation might create too much money worldwide and renew the inflationary danger.

Moreover, it is unlikely that retaliatory actions – taken by countries which fear that their competitors are undercutting them unfairly by currency depreciation – would stop on the monetary side. Currency wars have usually been an aspect of trade wars, in which restrictions on trade and capital movements have been imposed through either the front door or the back.

If German industry fears competitive depreciation its safest course would be to join the largest attainable "zone of monetary stability". Italy and Spain are unlikely to meet the stability conditions by 1999. But if Emu is postponed the momentum could be lost to such such a degree that there would be nothing for them to join later.

Meanwhile, the consequences of unilateral German action to try to remove its competitive disadvantage, not just against the US and south-east Asia, but against neighbours like Italy and Sweden – and inevitable French determination not to lose out out in the process – hardly bear contemplation. They make the risks and uncertainties of Emu fade by comparison.



GERMANY BECOMES UNCOMPETITIVE
Unit labour costs in manufacturing[1]

Country	1990	Oct 1993	Oct 1995
France	100.3	103.9	102.4
Germany	107.3	125.1	124.6
Italy	93.7	78.5	77.8
UK	101.5	92.3	92.6
Belgium	93.4	91.5	89.3
Netherlands	84.3	94.4	91.5
Sweden	102.4	77.5	79.8
Europe[2]	100.0	100.0	100.0
US	69.9	73.1	
Japan	77.3	121.3	
South Korea	32.3	34.4	
Taiwan	54.9	59.4	

[1]Average hourly compensation in manufacturing industry divided by output per man hour, valued in a common currency at purchasing power parity exchange rates. Relative to average for Europe [2]weighted average of above seven countries Source: C. Taylor EMU 2000

BOOK REVIEW · Jurek Martin

IT TAKES A VILLAGE: By Hillary Rodham Clinton
Simon and Schuster, $20.

Home thoughts of a former radical

Hillary Rodham Clinton is seen by many of her detractors as an emasculating feminist extremist intent on getting men out of their bars and boardrooms and into the nurseries and kitchens. But if they are prepared to take this book at face value, they would discover that she is a woman and a mother of rather conventional and traditional views.

The First Lady is troubled, for example, by the impact of divorce on children, not to the point of calling for an end to dissolution by consent but sufficiently to recommend mandatory "cooling off" periods and more counselling for couples with children. She even approvingly quotes the observation of Bill Bennett, high priest of US conservative values, that "in terms of the damage done to the children of America, you cannot compare the homosexual movement to what divorce has done".

She dislikes abortion when it is used, in effect, as a form of contraception. She has no problems with the introduction of the v-chip, which can block TV reception of violent or excessively sexual programmes, and suggests families turn off their boxes once a week and talk to each other. She sees nothing wrong in tougher school discipline, even endorsing the use of uniforms "because they appear to diminish the frictions caused by brand-name consumerism and gang identification".

So much for the radical Hillary, though these are not the main messages of her book. Its title is derived from an old African proverb – "it takes a whole village to raise a child". She interprets this as a reference not simply to parents and schools, but to every other conceivable aspect of society – extended families, friends, churches, businesses and, of course, government.

She mixes her thoughts on the roles all might optimally play with her own personal experiences both as a long-standing advocate of the rights of children and as a parent. She is entitled to speak with authority since the product of her own sometimes troubled marriage, daughter Chelsea, appears, on available evidence, happy and well-adjusted – no mean tribute to the strength of a family living in the Whitewater political fishbowl.

Mrs Clinton herself comes from the sort of suburban, church-going nuclear family, with a father as the sole breadwinner, that is now often held up as a symbol of the golden age of the 1950s. She acknowledges its formative influence on her – so different from the broken home from which her husband came – but does not advocate rolling back the clock for the simple reason that no society can be static.

Particular passions come through strongly. The provision of childcare facilities, which she admires so much in France, is portrayed as a matter of practicality not ideology. She cites a long list of companies which have concluded that investment in day-care facilities for the children of their employees is "good business practice", but still worries that, in a "turbo-charged" economy, corporations too often overlook the consequences on those same children of some of their decisions, such as laying off workers.

Sometimes she finds ideology transparently false. She contrasts Richard Nixon's official reason for vetoing a federal childcare bill in 1971 – "it would commit the vast moral authority of the national government to the side of communal approaches to child-rearing over and against the family-centred approach" – with measures he was actually prepared to support. These encompassed a whole range of tax deductions, federal subsidies and construction assistance for new day-care centres for poor children.

"Now," she concludes, "even these measures are controversial in some quarters." And this leads her into a stout defence of government "as a partner to, not a substitute for, adult leadership and good citizenship" – an argument that her husband now uses almost daily in his budget battles.

It was always suspected of Hillary Clinton that she was more radical than Bill – an impression reinforced, fairly or otherwise, by the healthcare reform she helped design but which Congress killed in 1994. Perhaps that experience tempered her passions, except in her defence of children. Or perhaps it takes a former radical like herself to know one, as she certainly thinks she knows the present crop on the right.

Whatever the truth, she now casts herself in the "middle of the road" mainstream – "liberal in some areas, conservative in others, moderate in most, neither exclusively pro- nor anti-government. We respect the unique power of government to meet certain social needs and acknowledge the need to limit its powers."

If that is unexceptional, some criticism of her book is in order. Mrs Clinton writes like the lawyer she is and proves in the process that not all legal eagles, whatever their force of argument, compose words like Oliver Wendell Holmes. Because she ranges so widely and quotes extensively from so many sources, the book desperately needs an index and footnotes.

Her legion of unforgiving critics have taken to suggesting that the book is just another ploy in the reinvention of St Hillary and that it would never have been published if she were somebody else. Yet the same might be said – but never is – of any number of former first ladies who have taken to print. The position is not a disqualification for authorship, or anything else.

And Hillary Rodham Clinton does have something to say – if readers are willing to listen.

FT FINANCIAL TIMES Conferences

MULTIMEDIA
Who will be the winners?

22 & 23 March 1996
Hotel Inter·Continental, Seoul, South Korea

Multimedia is set to be one of the major growth industries of the next decade—but where will that growth take place? Increasingly the focus is turning to Asia, with its concentration of technological expertise and a young ambitious population, eager for entertainment and information. Now, as many Asian countries install state-of-the-art infrastructure systems, they could be achieving an ideal position to develop multimedia. Will they leap-frog the West to become the leaders in multimedia development and usage? Which companies will be the winners? What role will China play? These and other questions will be addressed at the Financial Times Multimedia Conference in Korea, in association with the publishers of the leading Korean financial daily, Maeil Business Newspaper and TV.

Topics include:

★ South East Asia's role in the growth of multi-media
★ Will Asian countries leap-frog the West and jump to the forefront of multimedia development?
★ Financing infrastructure developments
★ Will trade barriers impede the growth of Asian multimedia suppliers?
★ Multimedia in China: tiger or paper tiger?
★ Who will be the winners in the multimedia revolution?

The organisers reserve the right to alter the programme as may be necessary.

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·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Study of fraud law problems already under way

From Mr Stephen Silber QC.

In your article "Accountants urge action to combat fraud 'menace'" (January 10), you pointed out that the UK's senior accountancy body had written to the home secretary urging him to consider setting up an independent panel to co-ordinate the fight against fraud.

You might be interested to know that the Law Commission is in the process of a massive project investigating the law of dishonesty. We are doing this for a number of reasons.

First there has been much criticism of the length and complexity of fraud trials: we are concerned to discover whether it might be possible to reduce the length and complexity of trials by simplifying the law, while always ensuring that the defendant is fully protected. Second, in the period since the enactment of the Theft Act 1968 and the Forgery and Counterfeiting Act 1981, there have been radical and multifarious technological advances. In consequence, it is likely some acts of dishonesty might not be effectively covered by present legislation because parliament could not possibly have envisaged all the technical advances which are now creating such problems for the courts. Finally, we are very conscious that there has been much cogent judicial criticism about this branch of the law as being in urgent need of simplification and modernisation.

We are very anxious to discover from as many people as possible what they consider to be wrong with the present law. We hope to produce a series of consultation papers and then, in the light of the responses, to produce a report.

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Further trip to Houston is advised

From Dr Andrew Austin.

Sir, I enjoyed reading Adam Hopkins' letter from Houston (Travel: "The Acropolis of Texas", December 9/10, 1995) which described his trip here last April. Since his visit the 1100 Louisiana building has been renovated, with a newly added Hibachi style top.

The Holocaust Museum is ready to open, and the Menil Collection added a new building designed by Renzo Piano to house its Cy Twombly exhibit about a year ago. I look forward to Mr Hopkins' views on these new buildings when he has a chance for a longer visit.

The art car parade mentioned in the article is held each April, in conjunction with the Houston International Festival. Pictures can be seen on the World Wide Web site http://ww2.nse.com/artcars/newimages/weekend.html or at http://www.panix.com/oval/artcars/roster/roster.html.

I would encourage all those interested in seeing the world's largest assemblage of art cars to visit Houston this April. However, visitors should be warned that "Dallas and Waco [are] almost within earshot" of Houston in the same way that Perth and Ulster are almost within earshot of London.

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Germany's 'soundly-based' Emu plan

From Professor Lucio Izzo.

Sir, According to Professor de Grauwe ("Why the link should be cut", January 12) convergence criteria, established by the Maastricht treaty, for public budgets are not needed for the European central bank to be able to implement a low-inflation monetary policy. This is of course true, provided that public deficits are temporary and are expected to be accompanied by offsetting future government surpluses.

To attract funds, the government must offer lenders a prospective revenue stream from taxation net of (non-interest) expenditure sufficient to support the value of outstanding debt. Like any borrower, the government can borrow only a limited amount in interest-bearing debts, determined by the maximum present value of the prospective primary budget surpluses.

Finance of a given public deficit, together with refinance of past accumulated deficits, requires prospective future primary surpluses that increase with the real rate of interest. The consequence is that government's debt capacity is sharply reduced if the real rate of interest gets persistently and significantly higher than the real rate of growth. Since the early 1980s, western Europe and North America have been confronted with this state of affairs.

Professor de Grauwe's suggestion that fiscal retrenchment be postponed until the creation of the European central bank does not seem to be a possible way out, mainly because the high levels of the real rate of interest and of public debts are making the government borrowing capacity fast approach its limits in some countries. In others the limit has already been reached.

No wonder the German government is moving to fulfil the Maastricht pledge (including giving up the D-Mark and Bundesbank) by requesting that future Emu partners subscribe to a pact of fiscal stability before gaining access to Emu. It is therefore surprising that Professor de Grauwe suggests the German government's attitude is a strategic move to ensure monetary union does not materialise. We should hail the German government's attitude as being the only possible serious approach to a soundly-based Emu.

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UK chancellor's reputation enhanced

From Dr John Wells.

Sir, Martin Wolf ("A gamble with stability", January 16) surely errs in criticising the UK chancellor of the exchequer for resisting pressures for higher interest rates last May. "His decision turned out to be right, but was still a mistake," he says – the reason being that risks were allegedly takenwith the government's counter-inflationary credibility.

But, surely, the chancellor's reputation has been enhanced by his capacity to interpret current economic developments correctly. One need look no further than the reputation of the Governor of the Bank of England – and of those on the opposition front bench who appeared to support him – to see that.

Moreover, inflation expectations implicit in gilt yields at the three-year horizon have fallen since May. And, while the differential between 10-year gilts and D-Mark bunds may have risen slightly, this may reflect factors such as the persistent weakness in the UK balance of payments and the need for future sterling depreciation to offset UK non-price disadvantages in international trade.

It will surely take many years to build the UK's counter-inflation credibility. However, such a process will not be helped if the authorities always refrain from giving the markets a lead and if their interpretation of economic events proves faulty.

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The high-tech roller-coaster

It is tempting to see the sharp rises and falls in the prices of high-technology stocks as a sign of speculative fascination with an essentially immature sector.

Yet the chips made by Intel – the latest victim of the technology roller-coaster after it reported lower than expected fourth-quarter earnings – are as much a part of the industrial landscape as steel in the 1890s or cars in the 1950s.

Very rapid revenue growth produces wide share-price fluctuations, as the market reacts to changes in future earnings expectations and discounts them into today's values. The Intel case illustrates that even one of the best-managed high-tech companies is vulnerable to big swings of sentiment.

It also indicates how important a company's ability to shape its business environment is to its valuation. Intel owes its success to its control over the x86 microprocessor architecture, the building block for today's personal computer industry. It has maintained that control in the face of rival "clone" chips by assiduous marketing and innovation.

It is not surprising, therefore that investors took fright at the company's fourth-quarter earnings. In microprocessors, there is little sign of erosion of market position. But the company has increasingly been expanding into areas in which it does not possess the same advantages. For example, it combines its own chipswith those of other makers toproduce fully assembled personal computer circuit boards.

These allow small companies to produce cheap, high-quality PCs, generating immediate profits for Intel and helping to entrench the Intel standard (as Apple's woes amply testify). Yet this approach erases barriers to entering the PC business, contributing to market instability.

In the fourth quarter, Intel itself was caught by that instability. PC sales were below the company's expectations, leaving it with excess supplies of bought-in components. The surplus memory chips are "commodity" components, subject to short-term swings in price; recently that price has fallen, hurting Intel's results.

There are a few lessons from this tale. First, investors should make sure that in valuing a company which possesses a proprietary technology they are not exaggerating the portion of the company's earnings to which that price protection applies.

Second, they should worry that the commodity semiconductor cycle, which has largely favoured producers in the last few years, may now be becoming more of a buyer's market. And third, when judging a high-tech stock what matters is not just the underlying growth in product demand but also the company's ability to extract earnings from every dollar of those revenues. When all high-tech stocks were rising together, that consideration was often overlooked. Now, with many down by half from their highs of last summer, it is of critical importance.

Time warp

On Friday, MPs have another chance to debate the recurring question of whether the UK should move forwards one hour onto Central European Time. In voting on the second reading of Mr John Butterfill's British Time (Extra Daylight) bill, they should have little hesitation in recommending that it does.

The harsh reality is that there are not enough hours of daylight in the UK's winter. Unless the earth tilts on its axis, that will remain the case. The question is when during the day the few hours of feeble light would be most useful.

Mr Butterfill wants the country to stay with British Summer Time (Greenwich Mean Time plus one hour) during the winter and to adopt "double summer time" – GMT plus two hours – in summer. The change would bring the UK into line with the rest of Europe.

That alone is reason enough to make the change, given the benefit to communications and travel, with Asia as well as with continental Europe. In addition, the Royal Society for the Prevention of Accidents has long argued that people are more at risk travelling home in the dark than they are going to work. Latest estimates suggest that the move to Central European time could save nearly 700 pedestrian deaths and serious road injuries a year, and cut more than £250m a year from heating and lighting bills. Some also estimate that the change would boost annual tourist spending by £1bn. Polls show more than two thirds support a change.

Against those arguments are the pleas of postal workers and others working outside who will face darker mornings. And there is the Scottish problem. As Scotland is further north than the rest of the UK, in winter the sun would not rise until nearly 10am.

However, even in Scotland, not everyone is opposed to the change. A 1992 opinion poll in Scotland showed 50 per cent support for change, up 12 percentage points on 1989, although a poll last month showed 55 per cent against. Farmers, among those most concerned, are more flexible than many workers. An experiment with double summer time 25 years ago was halted after the death of several Scottish children on the way to school. However, children are at more risk in the evening when they may be tired, or may be travelling to leisure activities.

In response to Scots who oppose a change, some suggest that Scotland should have its own time zone. This is undesirable, but it would still be preferable to abandoning the plan. A separate zone does not imply a separate country, as some Conservative MPs fear. The US and Canada each have six zones (including the Aleutian islands and Hawaii), Australia three (not including Lord Howe island), and Russia 11. Widespread support for the bill reinforces the case for a change.

China's curbs

China needs to heed the widespread condemnation of its decision this week to clamp down on foreign economic news services. The measures are deplorable, not only on grounds of principle. They show a failure by Beijing to grasp basic realities imposed by its move towards a more open, market-based economy. China itself risks losing most from such myopia.

Commercial, rather than political, motives appear to have been uppermost in the decision. It owes much to envy in Xinhua, the official news agency, at the rapid expansion in China of international business information providers, such as Reuters. By acquiring the right to "supervise" their operations, Xinhua can now insist on a share of their local revenues.

Officially, Beijing has justified the clampdown on grounds of safeguarding national sovereignty. Such jingoistic rhetoric doubtless helped win support from reactionary hard-liners in China's leadership. It is less clear whether it presages a drive to manipulate or suppress economic data. Their dissemination has hitherto been largely free of restrictions, apparently because the authorities have until now deemed them to be politically innocuous.

The growing proliferation of alternative delivery channels, which prompted Xinhua's defensive action, would almost certainly frustrate any attempt at systematic censorship. However, new powers to punish providers of information which "slanders or jeopardises" China's interests are an open invitation to abusive official intervention.

Unimpeded flows of information are the lifeblood of modern economies. By applying a crude tourniquet to one of its main arteries, Beijing has not only dealt a blow to confidence among foreign investors. It also threatens to stifle the development of China's fledgling financial markets and to handicap the operations of export industries, on which much of its prosperity depends.

Politically, the clampdown sends troubling signals to the rest of the world. It contradicts recent pledges by Chinese leaders to achieving greater economic transparency. Decisive improvements on that front are an essential pre-condition of China's entry into the World Trade Organisation. This week's measures raise doubts about Beijing's commitment to joining the WTO – and to integrating with the global economy.

It is to be hoped that the clampdown is the product of commercial scheming by Xinhua, rather than of a more fundamental policy shift. If Beijing is to repair the damage, it needs to review the agency's role. An antiquated propaganda machine, answerable to Communist party bosses, Xinhua has no place in a modernising economy – still less any right to monopoly control over business data.

On a collision course

Record numbers of foreigners are investing in Tokyo while Japanese institutions are queuing up to sell stocks, says **Gerard Baker**

The Japanese have an insatiable desire to hear what foreigners think of them. Most have a similar yearning for expert financial predictions. Small wonder, then, that they sat in rapt attention this week in Tokyo while Mr George Soros, the financial guru, discussed the prospects for the Japanese stock market.

Mr Soros duly joined the ranks of those foreigners who believe that Japan's long financial decline may be over. Japanese equities, he said, were among the best investment prospects for 1996.

But while his Japanese audience appeared eager to hear his words, they show no obvious sign of preparing to act on them. For Mr Soros's visit underlined the continuing divergence between international observers of Japan – who are highly optimistic and willing to invest there – and Japanese investors, who remain determinedly on the sidelines.

The tension between these conflicting views has been the central feature of the stock market in the last year. It has now reached a critical phase, whose outcome will determine the direction of the market for the rest of this year.

On first inspection, the verdict of Mr Soros and other foreigners seems justified. For the past six months, almost unnoticed, the Japanese stock market has been in its most impressive bull period since the collapse of the bubble economy six years ago. Since last July, when the market hit a three-year low, the Nikkei 225 index of leading stocks has jumped by more than 40 per cent. It closed 1995 on its highest end-of-year level for four years, and began the New Year in similar vein.

The increased confidence has been reflected in a strong recovery in market activity as well as in prices. In the last six months of 1995, average daily trading volumes on the exchange rose to levels not seen since 1990.

The rally has convinced many analysts and investors that the long decline of the post-bubble era, when prices fell by almost 60 per cent in three years and then stagnated for a further three years, is at an end.

A range of positive economic statistics is usually cited as being responsible for the rally. Confidence in the country's overall prospects has clearly improved in the last six months. A series of figures at the end of last year suggested production was beginning to climb out of its four-year trough. Most forecasters expect economic growth this year of between 2 and 2.5 per cent, which, if it is achieved, would be the fastest since 1990.

Corporate profits have already anticipated that gentle recovery. In the six months to the end of September last year, pre-tax profits showed their first significant rise for five years. And those gains were achieved not thanks to growth in sales, but to underlying improvements in profitability. Price cutting and continuing weak demand left turnover slightly lower than in the same period a year earlier, while pre-tax profits at quoted companies rose by more than 23 per cent following corporate restructuring.

Repeated interest rates cuts by Japanese authorities anxious to stimulate demand have also encouraged an improving investment climate for stocks. Short- and long-term interest rates are at record lows, which has increased the attractiveness of equities.

Also, the long banking crisis that has hung menacingly over the economy for the last two years seems to be lifting, as the bigger banks prepare to write off a substantial part of their non-performing loans.

But none of these factors is really sufficient to explain why stock prices should be soaring. Similar optimism has been apparent on several occasions in the last few years but has failed to produce the sort of rally now in progress. And, in spite of the improvements, valuations of Japanese stocks still look very high by most international standards.

The explanation most widely favoured among analysts in Tokyo for the current surge is liquidity. The monetary easing of the last year is said to have injected extra liquidity into the financial system. Narrow money supply is growing rapidly and cash balances are piling up. Low interest rates have left much of that money looking for a profitable home.

"The combination of surging liquidity and decent earnings momentum could act like rocket fuel for equities," says Mr Peter Tasker, head of equity strategy at Kleinwort Benson in Tokyo.

But so far domestic liquidity has not been the driving force behind the sharp rise in stocks. Japanese money is still being drained from the stock market; the real demand has come entirely from overseas.

Foreigners have been buying Japanese stocks as never before. In the last six months, they made net purchases of more than Y3,000bn of Japanese equities, the highest six-monthly figure recorded. Foreign ownership of the stock market has risen to a record level: nearly 9 per cent of Japanese equity is now in the hands of foreigners.

That money has been driven to Japan partly by growing concerns about financial instability elsewhere in the world. Diminishing expectations of further gains on Wall Street and in Europe have highlighted the attractions of Japan, where stocks have languished for so long that they have begun to look cheap.

"The Japanese market has looked like a laggard compared with foreign markets," says Mr Chisato Haganuma, strategist at Nomura Research International in Tokyo. "So foreign investors are likely to be net buyers."

But as that "wall of money" has arrived in Tokyo, it has crashed up against a wall of equity coming the other way. Almost all categories of Japanese investor are as anxious to leave the market as the overseas investors are to arrive.

The key to where the stock market goes from here lies in the outcome of that financial tussle. In the last six months the weight of overseas buying has more than offset domestic selling, and the market has risen, but that now looks as though it may change.

Many institutional domestic investors, tempted by high prices as they approach their financial year-end in March, will be especially eager to step up their selling over the next two months.

The most important group of Japanese investors, the life insurers, seem certain to escalate their dumping of equities. They still own almost 10 per cent of the total market and are looking to reduce that share drastically. Their problem is twofold. Most of them currently have not realised sufficient returns on their investments to meet liabilities to their policyholders. They have averaged returns of just 3 per cent in the last few years, against a guaranteed rate of return for their policyholders of over 4 per cent.

More pressing still, in the next two months a much larger than average number of their policies will mature, the result of a big increase in policies issued in the in the frenetic 1980s.

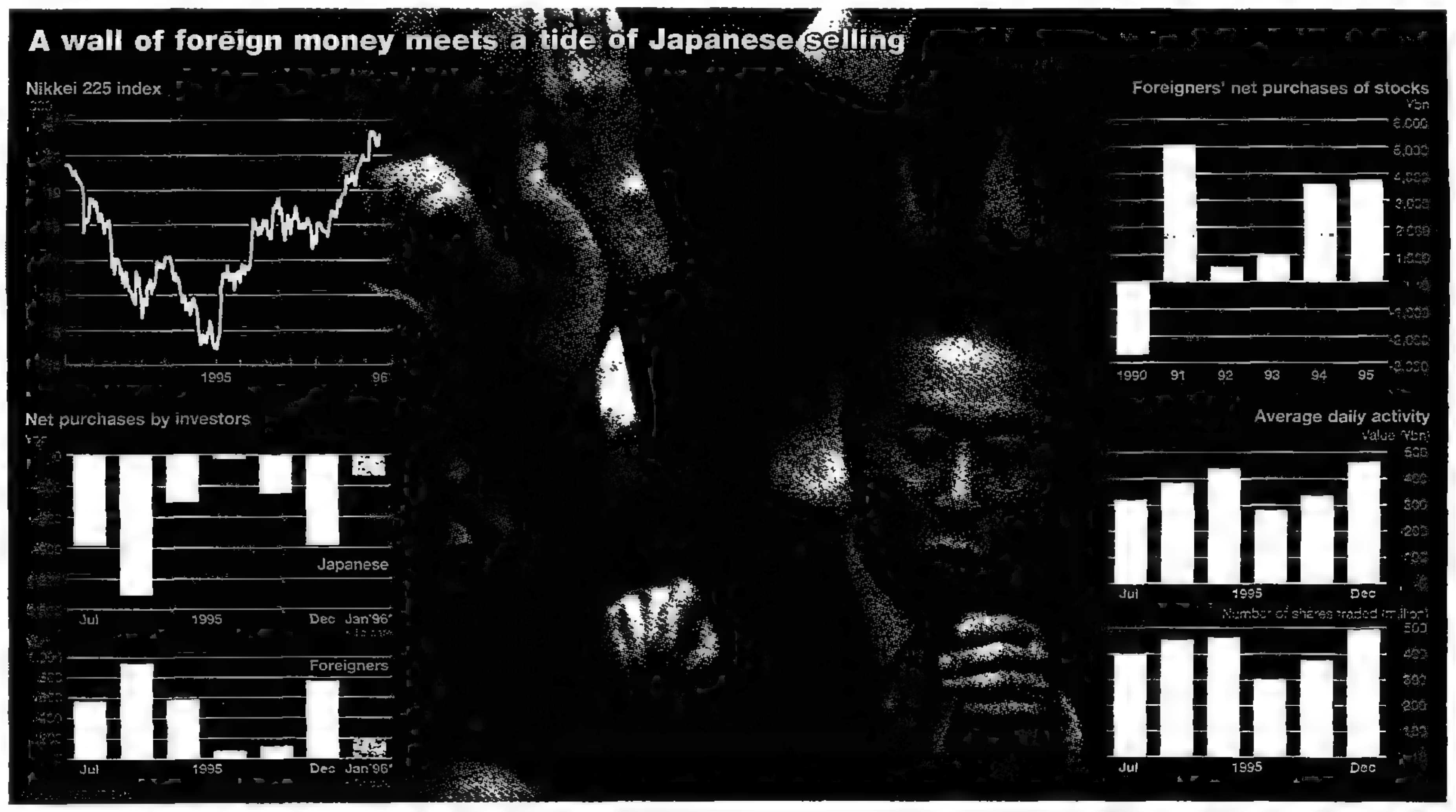
To meet those demands, the insurers must sell off their stocks, and replace them with less risky assets. They currently hold 30 per cent of their assets in equities and foreign securities when the need for guaranteed returns suggests they should probably be holding none. They have already increased their equity sales in the last few months.

For banks, the largest group of investors, the immediate problems may be even greater. Most of them are committed to big write-offs of bad debts in this financial year. To achieve that they will need to realise profits on a huge block of their stock holdings. Banks have provided domestic support for the market in the last few years as they have taken up some of the shares unloaded by other groups, but that now looks likely to change.

Since there is little sign of a sustained pick-up in equity interest among the other types of investor, the downward pressure on the market from Japanese investors seems certain to grow. The evidence so far this month has been that foreigners still seem anxious to take up the offered shares, but as the flow gets stronger, the attractions of buying Japanese equities will diminish.

"There is a question mark over how long foreigners will remain net buyers," says Mr Pelham Smithers, strategist at ING Barings in Tokyo, "and over whether domestic investors will become forced sellers. The last six months have seen the easy gains. It is going to get a lot harder from here."

The basic problem is not simply an aversion to risk on the part of Japanese investors, although most domestic investors certainly are still cautious. The real cause of the tension is the fundamental weakness of the country's leading financial institutions and the pivotal role they play in the Japanese equity market. Most of them remain chronically undercapitalised, and burdened with non- and under-performing assets from the years of excess in the late 1980s. Until those assets are finally removed from their balance sheets, they will always threaten any early end to any recovery in the Japanese stock market.



· O B S E R V E R ·

Singapore slung out

■ It was a "defining moment in history" according to the pro-government Straits Times, which wrote a leader on New Year's Day celebrating the fact that the island republic had been promoted to the ranks of the developed nations.

But before you could say per capita GDP, some party-poopers in France stepped in to spoil the fun.

Three years ago, the Paris-based OECD had already told its members that aid to Singapore should no longer be counted as "official development assistance". Last May, the organisation signalled that Singapore would move off the "developing" list from the beginning of 1996.

But it was only in the last few days that officials had actually set out to discover what their new status might mean.

To their dismay, the OECD informed them that their country was not yet developed. It had simply been redesignated a "more advanced developing country" – a "dynamic nonmember economy" or a "country in transition", for short.

Perhaps the biggest surprise is that the attainment of developed nation status was reckoned to be cause for celebration in the first place.

All sorts of goodies on the aid and tariff front would presumably disappear in a puff of smoke.

Two for one

■ Today's vote by Greece's Socialist MPs for a new prime minister to succeed Andreas Papandreou is likely to be a close-run affair.

Of the four candidates, Costas Simitis, the ex-industry minister, has been campaigning unofficially for the past year.

But the other front-runner, Gerasimos Arsenis, is gaining ground fast.

Both men are former economy ministers. But when it comes to pulling the Greek budget into shape, Arsenis has the edge. He can after all call on his wife for help.

A Princeton-trained economist, Louka Katseli – who kept her own surname under a law introduced by the Socialists in the 1980s – was appointed special economic adviser to the prime minister by Papandreou.

She keeps a low profile, but has helped boost relations between the Socialist government and Greece's Federation of Industry.

Businessmen now appear convinced that the Socialists have abandoned their statist ideas and private investment is soaring.

Even Greek shipowners are no longer afraid these days of setting up at home.

Ms Katseli has been putting in long hours in the past few weeks, helping to polish her husband's image.

No wonder. If Arsenis wins, she keeps her job.

Searching question

■ The term "headhunter" has somewhat different connotations in Russia's lawless corporate world from those it has in the west.

But the more respectable practitioners of the art will doubtless be queuing up to offer their services to Anatoly Chubais, the ferociously dynamic economic reformer, who has just fallen victim to President Boris Yeltsin's re-election strategy.

Chubais certainly has an impressive CV for someone just turned 40.

Apart from masterminding the biggest privatisation programme in history, Chubais has also achieved the seemingly-impossible in bringing Russia's once roar-away inflation to heel.

The principal snag is a paucity of suitable openings. Unlike Britain, Russia has few merchant banks to offer redundant politicians a lucrative rest home.

About the only challenge big enough for Chubais would be for him to turn poacher and start running Gazprom, the giant energy company which owns a third of the world's gas.

Chubais would first have to explain, though, why as deputy prime minister he wanted to tax them into the ground.

Silver lining

■ The ousting of Captain Valentine Strasser as Sierra Leone's head of state, in a bloodless coup on Tuesday, has caused barely a ripple in the beleaguered West African state.

Not so, however, among the country's national soccer side, currently competing the continental championship in South Africa.

Strasser is a fanatical football supporter, who regularly trained alongside the national squad and personally instructed them before matches.

Until recently rank outsiders, the Leone Stars currently lead their group in the competition.

It is unclear, as yet, whether Strasser's replacement – thought to be his number two, General Julius Maada Bio – will be quite as supportive.

At least losing power offers one consolation. Strasser, who was expelled quietly to neighbouring Guinea, will have plenty of time to travel down to South Africa to cheer on his side.

Today's thought

■ Overheard at a highbrow conference: "Deep, deep down journalists are really very superficial."

The Financial Times

100 years ago

Hard on the Boers
Some of the Paris papers interested in finance are beginning to show a healthy irritation with regard to the interruption of development in the Transvaal caused by the political crisis and the subsequent labour disturbances. The "Paris Bourse" is particularly hard upon our good friends the Boers. In an article upon "Boer Duplicity", the following passage occurs:- "The truth is that the Boer people, of whom the majority – say, nine-tenths – are ignorant of reading and writing, are two hundred years behind the times, and that they have only assimilated the vices and defects of civilisation." We do not remember seeing anything quite as strong as this in the most Jingo English journal.

50 years ago

Peseta not to be devalued
Madrid: The Director of Spanish Foreign Exchange Control denied in a Press statement that the Spanish Peseta would be devalued. No change whatever would be introduced in its quotation, he added.

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Court bars live TV coverage of Berlusconi bribery trial

By John Simkins in Milan

Mr Silvio Berlusconi, the media magnate and former Italian prime minister, spent much of his first day in court yesterday listening to arguments about whether his trial on corruption charges should be on live television.

Using an analogy which came naturally to the owner of AC Milan, the soccer team, Mr Berlusconi had previously suggested that TV coverage would serve as a referee to replay events in what he claims is a politically motivated trial.

But yesterday, his lawyer and most of the advocates for the other 10 defendants facing charges of bribing financial police, objected to live coverage of their performance. The eventual ruling was that live radio coverage was acceptable, but television viewers would only get recorded broadcasts.

When it came to his turn to speak, Mr Berlusconi, who was one of the few defendants present and whose Fininvest business empire controls three television channels, said he realised that his "personal interests" in receiving maximum publicity had to be set aside.

The four charges faced by Mr Berlusconi relate to bribes totalling L380m ($240,000) allegedly paid to members of the Guardia di Finanza, the financial police, to secure favourable inspections of the books of companies in his Fininvest empire.

The 10 others accused were his brother Paolo, four Fininvest executives and five Guardia di Finanza members. Mr Silvio Berlusconi has consistently denied knowing about payments made by his brother Paolo and the head of Fininvest's tax department to the financial police.

Mr Berlusconi, elegant in a dark, double-breasted suit, arrived at 9.30am clearly determined to show no shame at his court appearance.

The hearing took place in the "ex-minore" courtroom, so called because it is used to host juveniles' hearings.

Although one of the larger courtrooms, it contains only five rows of seats. As a result of the shortage of space, some journalists were forced to sit behind the bars of a secure cage designed to hold violent defendants.

Mr Berlusconi left the law courts in the middle of the afternoon, but not before he had held a long, impromptu press conference in the corridors during a recess, shaking hands with well-wishers and discussing the merits of political reform.

Asked what it felt like to be a former prime minister subjected to hours of preliminary proceedings in a corruption trial, Mr Berlusconi said: "I already knew what was required by the hearings. They take a long time, there is nothing new in that."

After further discussion of legal procedure, the case was adjourned until next week.

Phone taps cause uproar in land of paparazzi, Page 2

German reforms would reduce top rate of income tax

By Peter Norman in Bonn

The German government is considering income tax reforms that would cut top rates in return for the elimination of many tax privileges.

A statement of intent on reforming the tax system would be an attractive option if the government decided that measures to boost growth and employment were likely to fall short of growing public expectations.

The present system has a top rate of 53 per cent. In addition, there is the hated solidarity surcharge to pay for the reunification of west and east Germany which boosts tax bills by a further 7.5 per cent.

Long-running investigations of the tax affairs of Steffi Graf, the tennis star, and her father have fostered a widespread belief that the system is unfair. It is also so complex that even experts have difficulty understanding it.

The plan envisages that proposals should be made after March 24, when state elections take place in Baden-Württemberg, Rhineland-Palatinate and Schleswig-Holstein.

Apart from a state election in Hamburg, Germany would then enter a long election-free period until the end of the present coalition government's term in autumn 1998. That would leave time for the complex negotiations that would be required to get a simplification of Germany's complex tax system passed in both house of parliament. In the Bundestag, the lower house, Chancellor Helmut Kohl's coalition has a slim majority, while in the Bundesrat, the second chamber, state governments controlled by the opposition Social Democrats have a majority.

An alternative approach would be to make a preliminary announcement of tax reform plans at the end of this month, when the cabinet is due to agree the government's annual economic report as well as an "action programme" to boost growth and employment.

Mr Günter Rexrodt, economics minister, indicated the programme should encourage company start-ups, strengthen capitalisation of existing enterprises, reduce non-wage labour costs, cut subsidies and continue to reduce the share of state spending in gross domestic product.

Some tax changes have already been signalled, including abolition of the local trading capital tax and tax holidays for new companies.

But important parts of the package, such as wage restraint, are outside government control. Also, many details are still subject to negotiation among the coalition parties and employers and trade union representatives.

Bonds, Page 26

Republican report urges low-rate tax to boost US growth

By Michael Prowse in Washington

The US should tax income at a single low rate as part of a radical overhaul of tax policy designed to stimulate economic growth, a commission headed by Mr Jack Kemp, a leading Republican strategist, said yesterday.

The commission's report, which follows months of public hearings, will add fuel to an intense debate on tax policy among Republican presidential candidates.

Mr Phil Gramm, the Texas senator, yesterday sought to outbid Mr Steve Forbes, the millionaire publisher, by proposing a flat tax of 16 per cent on all incomes. Mr Forbes has made a flat tax of 17 per cent the cornerstone of his presidential campaign.

The tax reform report was commissioned jointly by Mr Robert Dole, the Senate majority leader and front-runner for the Republican nomination, and Mr Newt Gingrich, House Speaker. Mr Dole has criticised Mr Forbes's tax proposals.

However, in a foreword to the report, he and Mr Gingrich come close to endorsing a single tax rate, saying they favour a tax system that is "fairer, flatter and simpler".

Mr Kemp's report is notable for its soaring rhetoric: it provides one of the strongest defences of a free market vision of society since the Reagan era. The goal is not to propose specific legislation but to lay a conceptual foundation for a future tax reform that will "ensure the greatest possible opportunity for all Americans to work, save, invest and reach their potential".

The result is perhaps the most radical tax plan seen in Washington since the enactment of income tax in 1913. The report says the federal tax code should be "repealed in its entirety" because it is "impossibly complex, outrageously expensive, overly intrusive, economically destructive and manifestly unfair".

In its place the US should:

- Adopt a single, low tax rate with a generous personal exemption to lower the burden on working families;
- Eliminate all disincentives to saving and investment, including the double taxation of dividend and interest income;
- Allow a full deduction for payroll social security taxes – a measure that would offer benefits for middle-income families;
- Ensure stability of taxes by requiring a two-thirds "super-majority" vote in Congress for increases in tax rates.

The report also advocates the scrapping of nearly all tax breaks for special interests, but equivocates on the two of the largest and most popular deductions – those for mortgage interest, and charitable contributions.

Arguing that the US needs an extension of home ownership and more private giving, it invites debate over the "best way to protect these institutions and preserve the values they represent".

The commission expresses concern that Americans are not saving enough and urges policies that "will result in people taking more responsibility for their own retirement saving" – a veiled plea for the partial privatisation of the publicly funded pension system.

While long on rhetoric, the report provides no cost estimates and makes no effort to show that the proposed changes are consistent with the parallel Republican objective of achieving a balanced federal budget by 2002.

Radical overhaul sought ....Page 6

French recognise gangsters

Continued from Page 1

the ninth edition in 1986, and they have just finished scrutinising the letters "f" and "g".

The Académie argues that the new version of the dictionary will be substantially larger than its predecessor, with 55,000 words compared to 35,000 in the eighth edition.

It has set itself a demanding deadline of 2000 for completing the project.

THE LEX COLUMN

Russian roulette

President Boris Yeltsin is not exactly the darling of the west. On top of the bloody fighting in Chechnya, he has sacked one of the west's favourite ministers, Mr Anatoly Chubais, the pro-market deputy prime minister. Perversely, though, the ministerial clear-out may be good news for investors: it makes sense only if Mr Yeltsin plans to stand for re-election. And for all his faults, he represents the best chance of avoiding a Communist victory in June's presidential elections.

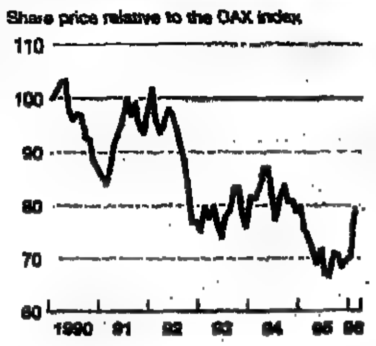
With Mr Chubais gone, structural reforms like privatisation, shaking up the tax system and opening up trade will probably shift to the back burner. But in the pre-election period which matters, it is unlikely to herald a major economic U-turn. Although Mr Yeltsin will doubtless do what he can to put money into voters' pockets, he has little freedom to let the economy rip: the budget is already fixed. Moreover the central bank governor is likely to resist any attempt to start printing money again.

This explains why the rouble and the debt market have taken Mr Chubais' departure in their stride. And although the stock market has lost 7½ per cent, this has simply reversed some of its optimistic New Year rally. The basic question for investors remains the same: who will win in June? If it is Mr Yeltsin, the equity market – which looks extremely cheap on fundamentals – is likely to see a flood of foreign investment. But if it is the Communists, the consequences could well be dire. It is a high-risk, high-return bet.

FT-SE Eurotrack 200:
1618.5 (+0.9)

Daimler-Benz

Share price relative to the DAX index



Source: FT Extel

AEG/Daimler-Benz

The final dismantling of AEG by Daimler-Benz is a case of better late than never. Daimler can be criticised for failing to internationalise AEG or restructure its cost base earlier. But at least Daimler has proven deft at clearing away the mess through a series of disposals and now its decision to swallow up the diminutive rump business. The businesses being taken on by Daimler are diverse, but they are unified by their potential to make a reasonable profit. And the deal strengthens the sense that Daimler's new broom – Mr Jürgen Schrempp, the recently appointed chairman – is rapidly sweeping out all the old skeletons.

The extent of the clean-out should soon become clear, when Daimler announces mountainous losses for 1995. Mr Schrempp's challenge is to reveal sufficient provisions to leave investors comfortable with Daimler's prospects, but not so many that they will have to fill the resulting balance sheet hole with a rights issue. And he has one more problem to address: the extraordinarily troubled Fokker regional aircraft business, which is controlled by Daimler's subsidiary, Deutsche Aerospace. Any resolution is going to depend more on politics than economics, and is therefore hard to predict.

Daimler's shares have picked up recently due to the prospect of recovering car profits and the fact that DASA is undergoing its long overdue restructuring. But given the current uncertainties over Fokker, investors would do better to wait.

UK sport

The idea that popular sporting events like the Olympics and the World Cup should be shown only on "free-to-air" television may have electoral appeal – which is no doubt why Labour and some Tory MPs are pushing it. But the proposal has no intellectual merit.

Banning Mr Rupert Murdoch from buying certain sports rights for his BSkyB pay-TV network would doubtless please the BBC and the ITV companies. They are losing ground to BSkyB in sport not because they lack the cash but because they have been unwilling to pay top dollar. Taking BSkyB out of the market would mean they could buy the rights on the cheap. But such Soviet-style economics would not be good for the relevant sports, which would receive less money. In the long run, if less were invested in sport viewers would suffer.

It is hard to see why sporting bodies should be restricted in how they sell TV rights. Makers of films, soap operas and news programmes are not. The argument that sport is such an essential commodity that it must be provided free does not stack up. More basic commodities like water are not free.

Nor is it as though sporting bodies want only to maximise profit. They are also concerned to boost exposure. Sometimes that means selling the rights to the BBC or ITV, which have more viewers. But at other times it means going with BSkyB, which has more channels and so can show events at length. Sporting bodies themselves, rather than politicians, should decide how to promote their interests.

Kingfisher

Sir Geoffrey Mulcahy was reckoned to have a year to put things right at Kingfisher, and he has met that deadline. Yesterday's trading statement demonstrated that the dire operational difficulties which forced a profits warning a year ago have been sorted out. Though from a low base, 22 per cent like-for-like sales growth at electronics retailer Comet, boosted by the introduction of multimedia personal computers, was impressive. Woolworth's 7.3 per cent like-for-like sales growth was less dramatic, but good enough.

Even those areas which performed less well did so as a result of external factors rather than mismanagement. B&Q sales fell 3 per cent like-for-like. Although it remains the market leader in the troubled do-it-yourself sector, increased spending on stores, including the new warehouse format, has squeezed margins. A decline at Darty, Kingfisher's French electrical retailing chain, can reasonably be pinned on the pre-Christmas strikes, but the poor outlook for the French economy, and retailing in particular, does not bode well.

Sir Geoffrey has certainly done enough to keep his job, but not enough to turn Kingfisher into the sector's next hot recovery stock. The difficulty of getting the group to fire on all cylinders at once is all too evident. And too many of the businesses are stuck in sectors with limited growth potential. Now the group is in reasonable shape the next task should be rationalisation through disposals.

Additional Lex comment on Unichem/Lloyds Chemist, Page 24

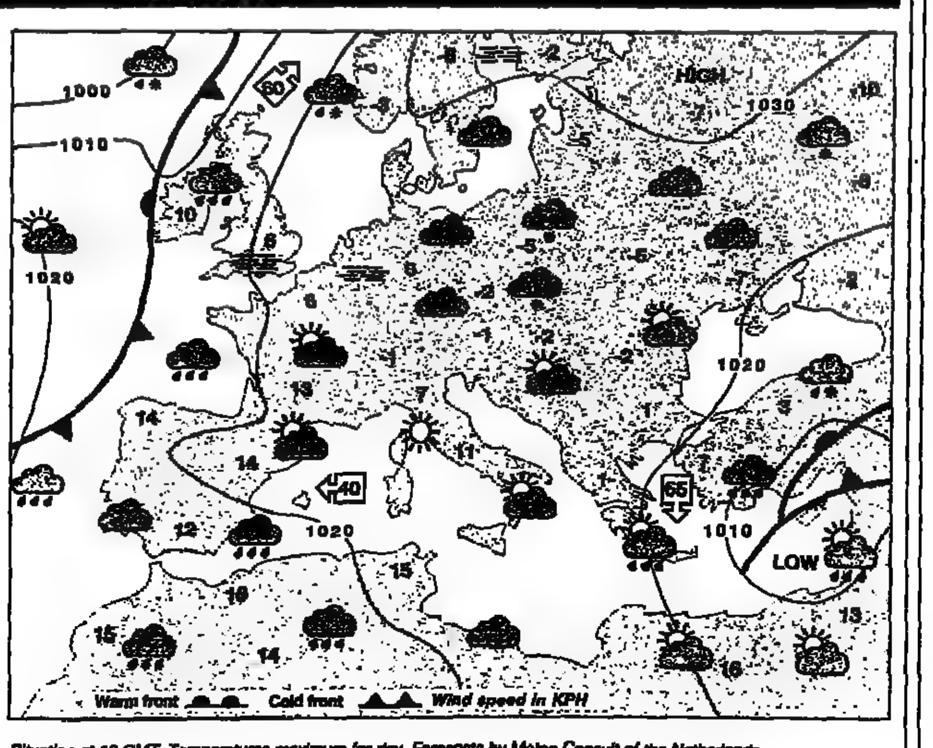
FT WEATHER GUIDE

Europe today

High pressure over Russia and Scandinavia will keep the continent mainly dry. Southern and western France and the southern Benelux will have sunny periods. Elsewhere, low cloud and fog will dominate. Northern, eastern and central Europe will be frosty. Western and south-western Europe will stay relatively mild but rather cold with persistent fog patches. A frontal system over the Atlantic will stall across the western parts of the British Isles, producing rain in western Ireland and Scotland. Portugal will remain dry but Spain's east coast will have showers. The eastern Mediterranean will stay unsettled with numerous showers in Cyprus and Turkey.

Five-day forecast

Increasing high pressure over Scandinavia and strengthening low pressure over the Atlantic will result in an easterly air flow drawing cold air from Russia towards the west. This will give frosty conditions in much of Europe, except for the Mediterranean, the south-west British Isles, south-western France and Portugal. These areas will be mild with rain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum	Beijing	fair	0	Caracas	fair	30	Faro	fair	16	Madrid	fair	13	Rangoon	sun	31
		Celsius	Belfast	rain	9	Cardiff	fog	8	Frankfurt	cloudy	-1	Majorca	shower	14	Reykjavik	snow	-1
Abu Dhabi	fair	25	Belgrade	fair	0	Casablanca	cloudy	17	Geneva	cloudy	2	Malta	fair	13	Rio	fair	34
Accra	cloudy	31	Berlin	cloudy	-2	Chicago	rain	6	Gibraltar	fair	17	Manchester	cloudy	8	Rome	sun	13
Algiers	fair	17	Bermuda	fair	20	Cologne	cloudy	2	Glasgow	rain	9	Manila	cloudy	30	S. Frsco	cloudy	15
Amsterdam	cloudy	2	Bogota	cloudy	20	Dakar	sun	25	Hamburg	cloudy	0	Melbourne	fair	26	Seoul	fair	1
Athens	fair	7	Bombay	fair	30	Dallas	cloudy	13	Helsinki	cloudy	-2	Mexico City	sun	20	Singapore	fair	30
Atlanta	shower	16	Brussels	fair	6	Delhi	fair	21	Hong Kong	cloudy	21	Miami	windy	27	Stockholm	cloudy	0
B. Aires	fair	28	Budapest	fair	-1	Dubai	cloudy	25	Honolulu	sun	29	Milan	fog	3	Strasbourg	cloudy	0
B.ham	cloudy	6	C.hagen	fog	2	Dublin	rain	10	Istanbul	cloudy	3	Montreal	rain	10	Sydney	cloudy	25
Bangkok	fair	33	Cairo	cloudy	15	Dubrovnik	sun	11	Jakarta	shower	28	Moscow	cloudy	-5	Tangier	cloudy	15
Barcelona	shower	13	Cape Town	sun	29	Edinburgh	cloudy	8	Jersey	fair	9	Munich	cloudy	-1	Tel Aviv	rain	13
									Karachi	sun	26	Nairobi	fair	26	Tokyo	fair	11
									Kuwait	fair	16	Naples	sun	13	Toronto	cloudy	9
									L. Angeles	sun	20	Nassau	fair	26	Vancouver	rain	6
									Las Palmas	fair	21	New York	cloudy	8	Venice	sun	7
									Lima	cloudy	25	Nice	sun	13	Vienna	cloudy	-4
									Lisbon	cloudy	16	Nicosia	shower	12	Warsaw	fair	-4
									London	fog	7	Oslo	cloudy	-2	Washington	cloudy	7
									Lux.bourg	fog	0	Paris	fair	5	Wellington	fair	21
									Lyon	fair	3	Perth	fair	32	Winnipeg	sun	-25
									Madeira	shower	18	Prague	cloudy	-4	Zurich	cloudy	-1

We wish you a pleasant flight.
Lufthansa

This announcement appears as a matter of record only.

January 1996

Norske Skog

has acquired
the Bruck Paper Mill
from

KNP LEYKAM

The undersigned acted as exclusive financial adviser to
Norske Skogindustrier A.S.

Bankers Trust International PLC

Bankers Trust International PLC is regulated by the SFA.

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FINANCIAL TIMES
COMPANIES & MARKETS
Thursday January 18 1996

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IN BRIEF

Nokia to cut 600 electronics jobs

Nokia, the Finnish telecommunications group, moved to tackle problems in its troubled consumer electronics division when it announced plans to cut 600 jobs and said it was considering strategic partnerships with other companies. Page 20

Giat tumbles to FFr12bn deficit
Giat Industries France, the tank and munitions maker, announced one of the worst results ever recorded by a French state-owned company. It ended last year FFr11.8bn ($2.4bn) in the red, and warned of an even higher loss after the addition of provisions for restructuring. Page 20

Strong Swiss franc keeps Roche sales flat
The strength of the Swiss franc cut sales growth at Roche, Switzerland's biggest pharmaceuticals company, to zero, according to figures for 1995 from the company. Sales of SFr14.7bn ($12.5bn) were virtually unchanged from 1994, but when measured in local currencies were 11 per cent higher. Page 20

Computer Associates has record quarter
Computer Associates, the US software group, reported record results for its fiscal third quarter of $227.2m, helped by strong demand for software used on networks of distributed computers. Page 21

Strong gains at BankAmerica and Norwest
BankAmerica added to to the list of US banks which have reported record annual earnings. It announced a 19 per cent rise in after-tax profits in the final quarter of last year, while Norwest registered net income growth of 26 per cent. Page 22

Barings' Asian pioneer back in business
Ssangyong, Korea's sixth largest company, has taken a 12 per cent stake in Caspian, the emerging market specialist set up by Mr Christopher Heath, founder of Barings' bank's successful 1980s Asian securities business. Page 22

Sony arrives at a crossroads
Sony, which has announced a revamp of its corporate structure, is at a critical point. What happens next could determine whether the consumer electronics company will survive to commemorate its centenary – or be relegated to the annals of 20th century Japanese business legends. Page 23

Christmas brings sales rise for Kingfisher
Kingfisher, the UK retail group, showed it was putting behind it the problems that led to four directors being ousted last year, as it reported group sales 8.8 per cent higher in the 10 weeks to January 6. Page 24

NZ dairy farmers buck gloomy trend
It's been a tough 12 months for New Zealand's beef and sheep farmers, and farm economists this week warned them to be ready for another fall in incomes over the coming year. But it has been a much brighter story for dairy farmers.
Page 25

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Porsche	788	+	14
Wella	778.2	+	7.2
Falls			
Asko Pf	690	–	10
Bil & Berg	570	–	7.5
Hochtief	645	–	16
Karstadt	552	–	16
NEW YORK ($)			
Rises			
Adobe Sys	36¾	+	⅝
Sun Micro	45	+	3⅛
Falls			
Intel	51⅛	–	3¼
Intuit	54⅞	–	6⅝
3M	64	–	3¼
Wal-Mart	20⅝	–	2⅛
LONDON (Pence)			
Rises			
Lloyds Chem	366	+	75
Storby A	1120	+	100
Telspec	823	+	80
Falls			
First Leisure	349	–	19
ML Labs	377	–	22
Wambones	68	–	41
TORONTO (C$)			
Rises			
Gaming Lttry	8½	+	½
Rayrock Ylw	10⅞	+	⅝
Spectral Diag	13½	+	1½
Falls			
Cognos Inc	53½	–	5½
Hummingbird	48⅞	–	5⅞
Softkey SW	27	–	2
PARIS (FFr)			
Rises			
Accor	659	+	14
Alcatel	443.8	+	14.7
CSF	1080	+	40
Docks France	816	+	26
Legrand	842	+	27
Falls			
Seb SA	642	–	20
TOKYO (Yen)			
Rises			
Mazda Mtr	459	+	23
Nissan Mtr	858	+	24
Toyo T & R	976	+	36
Falls			
Asahi Optcl	533	–	17
Fuji Spinning	481	–	14
Hokuetsu Paper	665	–	26
HONG KONG (HK$)			
Rises			
China Photo	4.525	+	0.3
Dah Sing Fin	21.0	+	0.95
Island Dyeing	8.3	+	0.5
Falls			
Hang Lung Dev	13.95	–	0.5
QPL Intl	6.95	–	0.55
Wheelock	15.55	–	0.45
BANGKOK (Baht)			
Rises			
Deves Ins	112.0	+	10.0
Essex Intl	48.5	+	4.25
Nithipat W	44.0	+	5.75
Falls			
Prudential	32.5	–	3.5
Thai OPP	42.0	–	3.5
Univenture	31.0	–	4.0

New York and Toronto prices at 12.30pm.

Clouded outlook for final quarter across the US as leading companies issue warnings

Wal-Mart ends 25 years of growth

By Tony Jackson and Richard Tomkins in New York

A cloud was cast over the outlook for US corporate earnings yesterday as two leading companies, the retailer Wal-Mart Stores and the diversified manufacturer Minnesota Mining and Manufacturing (3M), warned of lower profits in the final quarter.

The paper company Boise Cascade, reporting record earnings for 1995, also cautioned that profits would be lower in the current year. In the technology sector, there was weakness in some share prices in response to poor results from the chipmaker Intel, which were released late on Tuesday.

Wal-Mart, the world's biggest retailer, shocked Wall Street by warning that its latest quarter would show its first profits downturn in 25 years as a public company.

Earnings would be 40 to 42 cents a share against 45 cents a share last time. Wal-Mart's shares fell 9 per cent to $20⅝.

The company blamed lower-than-expected Christmas sales, unfavourable gross margins, higher operating costs, and last week's severe storm in the north-eastern US.

Since Wal-Mart went public, it has recorded 99 consecutive quarters of sales and earnings growth. Analysts had expected the latest quarter to be the 100th of growth, predicting earnings of about 48 cents a share.

Consumer demand is almost at a standstill, but retailers have continued building stores. The competition is particularly acute in the discount store sector. Kmart, Wal-Mart's biggest competitor, is in severe financial difficulties and other discount store companies have been driven into Chapter 11 bankruptcy.

3M said that while results were good in October and November, December was disappointing. Earnings for the quarter would be below the previous year's $332m, or 79 cents a share, before restructuring charges. 3M's shares fell 5 per cent to $64.

It said profits had been hit by the need to cut stocks, which had reduced output. There had been particular weakness in the data storage and imaging business, which 3M wants to spin off, and in the audio and video tape division, which is to be closed.

Dun & Bradstreet's latest quarterly survey of US business, released yesterday, found executives predicting slower growth in sales and profits in the first quarter. Dun & Bradstreet said optimism about first quarter sales was at a three-year low.

Boise Cascade results, Page 21

AEG to be absorbed into Daimler-Benz

By Wolfgang Münchau in Frankfurt

AEG, one of Germany's oldest industrial companies, is to be dismantled. The electronics group is to be merged into Daimler-Benz, Germany's largest company and AEG's majority shareholder.

AEG's supervisory board yesterday sealed the fate of the group, whose inventions have included the first high-speed electric railway locomotive, and the Pal colour television system.

AEG's break-up will lead to a new corporate structure at Daimler-Benz, increasing its operating divisions from four to seven. The result is an uneven structure, with Mercedes-Benz, the luxury car and truck manufacturer, co-existing with operations such as Temic, which makes microelectronics products and is about 60 times smaller.

Under the arrangements, MTU, the engine maker, will become a subsidiary of Mercedes-Benz. Three other AEG divisions, microelectronics, rail systems and postal automation, will fall directly under the Daimler-Benz umbrella. The rail systems division, Adtranz, is a 50-50 venture with ABB, the Swiss-Swedish engineering group.

An intermediate holding company will be created to deal with AEG assets, including the receipts from the sale of the energy distribution and industrial automation divisions, and its pension liabilities.

Yesterday's board meeting confirmed the decision to sell the energy and automation units, which have a joint turnover of DM3.5bn ($2.5bn), to Alcatel Alsthom of France.

Employee representatives on the supervisory board voted against the motion to dismantle AEG, forcing Mr Jürgen Schrempp, chairman of Daimler-Benz and of AEG's supervisory board, to use his casting vote.

Mr Schrempp said: "The sale of sectors to companies with a competitive edge will strengthen the market position of these sectors and secure jobs... The interests of the AEG shareholders will be safeguarded by the fact that they will in future have a direct shareholding in Daimler-Benz."

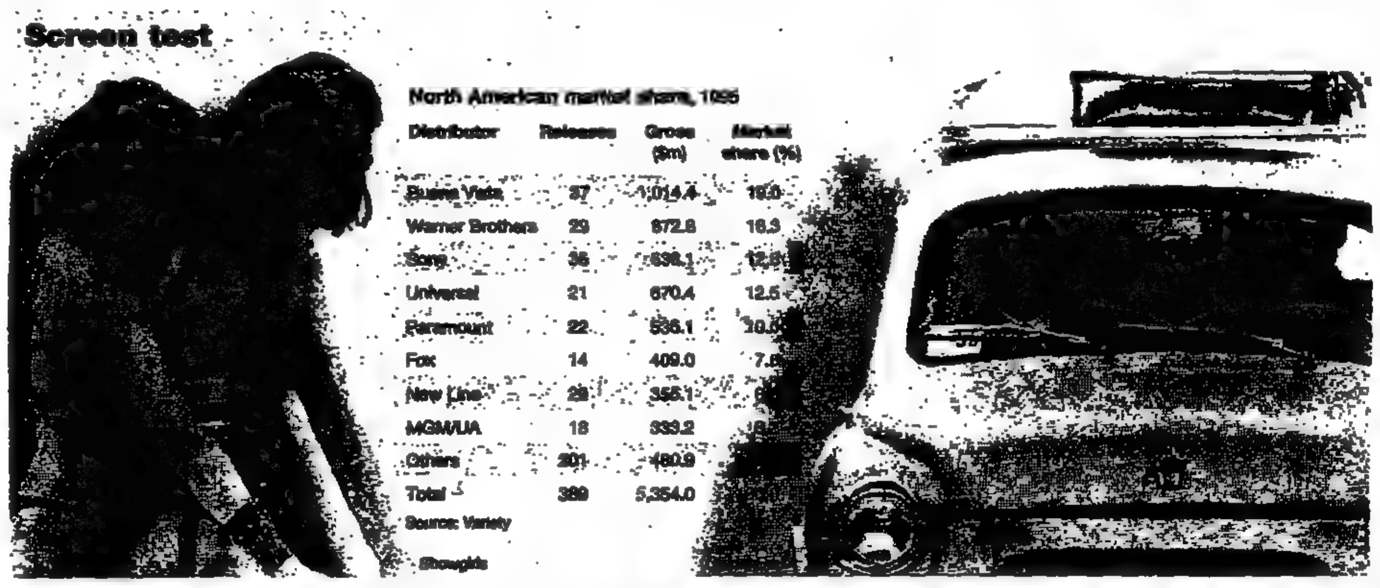
AEG's works council warned, however, that more than 7,000 jobs could be at risk as a result of the sale of the two divisions. These include 500 job losses already announced in the energy distribution business and 1,200 in industrial automation.

AEG is expected to have lost more than DM1bn in 1995 after a long series of disappointing results.

Lex, Page 18

The studio's sell-off could be the most glamorous corporate auction of 1996

MGM revival raises curtain on sale



When the Oscar nominations are announced next month they may include a famous Hollywood name that has been conspicuous by its absence in recent years – MGM/UA has two strong Oscar contenders in *Get Shorty* and *Leaving Las Vegas*.

The revival in MGM's fortunes could not have come at a better time as the studio prepares for another change of ownership. Within the next few weeks MGM's improbable present owner, the French government, will start what promises to be one of 1996's most glamorous corporate auctions by deciding how and when to sell the studio.

There is no shortage of potential purchasers for MGM, which has an estimated value of more than $1.5bn.

A number of European entertainment and media companies, including PolyGram of the Netherlands and Germany's Bertelsmann, are eager to expand their film interests. All the other leading US studios belong to powerful groups and the MGM auction may be the last chance to acquire one.

MGM may still be a famous name, but the company is a shadow of its former self. Many of its most valuable assets were sold during the 1980s. The Culver City production lot in Los Angeles was bought by Sony and the valuable library of MGM classic films by Mr Ted Turner, the media mogul.

When Crédit Lyonnais, the state-controlled French bank, reluctantly took over MGM after a 1992 bankruptcy case, all that remained was the debilitated MGM production and distribution businesses, the dormant United Artists studio, a small television production company and UA's film library.

Rather than close MGM down, Crédit Lyonnais decided to try to sell it. Advised by Mr Michael Ovitz, the Hollywood talent agent who has since become president of the Walt Disney entertainment group, it appointed Mr Frank Mancuso, a former Paramount executive, as chairman with a brief to salvage the studio. He has since brought in a new management team, expanded output, resuscitated UA and diversified into retailing by opening an MGM store.

The first test of Mr Mancuso's efforts was MGM's 1995 box office performance. So far, the verdict seems positive. MGM, like all studios, had its share of flops, notably *Tank Girl*, based on the cult cartoon strip. *Showgirls*, a film about the sleazy side of Las Vegas which MGM distributed in the US, was savaged by the critics. But MGM had a run of hits. *GoldenEye*, the latest James Bond movie, has revived UA's most famous film franchise by taking more than $200m worldwide since its November release. *Get Shorty*, the critically acclaimed comedy starring John Travolta, is opening in Europe after making more than $70m in the US.

MGM may be a famous name, but it is a shadow of its former self

Consortium des Realisations (CDR), the company to which the French government transferred MGM and other Crédit Lyonnais assets as part of its rescue package for the bank, must decide whether to take advantage of this successful run by selling MGM sooner rather than later.

Lazard Frères, the Paris-based investment bank appointed last November to advise CDR on the sale, is completing its valuation of the studio and finalising its recommendations on the structure of the sale.

Originally, Crédit Lyonnais was given until May 1997 to reduce its MGM stake to under 25 per cent, as US banking law only allows banks to own a non-banking company acquired through loan defaults for five years. Technically, CDR could argue that, as it is not a bank, this law no longer applies.

However, it is unlikely to do so as this would require a complex procedure of seeking official sanction from US banking authorities. Moreover, CDR was set up by the French state as a vehicle to rid Crédit Lyonnais of its troublesome assets, not to run a Hollywood movie studio.

Given that CDR's negotiating position will weaken as the May 1997 deadline approaches, it is likely to try to sell MGM as quickly as possible. An early sale would give it the flexibility to sell MGM piecemeal or find a merger partner.

PolyGram and Bertelsmann are not the only prospective purchasers. Chargeurs, the French industrial group, is seen as another contender; as is the Canal-Plus television company, although the focus of its film strategy has shifted from the US to Europe in the past year. Mr Kerry Packer, the Australian media mogul, has also expressed interest. While Mr Mancuso has considered assembling a management buy-out team.

"MGM isn't what it used to be, but it's come a long way in a short time," said one suitor. "There are some great films in the UA library. Besides we may never get another opportunity to buy a piece of Hollywood history."

Alice Rawsthorn

Groups link for German telecoms

By Michael Lindemann in Bonn

Mannesmann and Veba, two of Germany's biggest companies, are to join forces in the battle to compete with Deutsche Telekom in the world's third largest telecoms market.

The alliance between the two Düsseldorf-based companies creates a powerful new force in German telecoms linking Veba, a cash-rich conglomerate with a regional electricity monopoly, and Mannesmann, the engineering group which runs Germany's biggest private mobile phone network.

News of the alliance comes amid speculation that RWE and Viag, two other leading German utilities, will pool their resources to compete with Deutsche Telekom, which loses its monopoly at the beginning of 1998.

The would-be telecom operators have been securing international partners to improve their chances of operating outside Germany. Last year Mannesmann joined with AT&T, the world's largest telecoms group; Veba created a joint venture with Cable & Wireless, the London-UK-based telecoms group; and Viag created a joint venture with British Telecommunications (BT).

Mannesmann and Veba said yesterday they had signed a memorandum of understanding to create a nationwide telecoms network. This will be based on the 2,500km fibre optic telecoms network owned by Veba and on the infrastructure which Mannesmann is building for its D2 mobile phone network which aims to have 2m clients by the end of this year.

Both companies already offer telecoms services for corporate clients and Veba also has 1.1m cable television connections which the company hopes will help it access private clients after 1998.

RWE and Viag both own extensive fibre optic networks based on their electricity grids. Viag also has a joint venture with BT which gives it access to Concert, the global telecoms joint venture between BT and the US group MCI.

Citic share sale adds HK$3bn to cash pile

By Louise Lucas in Hong Kong

Citic Pacific expanded its cash pile by some HK$3bn (US$388.8m) yesterday. The Hong Kong-listed arm of Beijing's main domestic and international investment vehicle sold 208.82m shares in Hongkong Telecom, cutting its stake in the company from 12 per cent to 10 per cent.

At the same time, Citic Hong Kong, a wholly-owned subsidiary of China International Trust and Investment Corporation, which holds 43 per cent of Citic Pacific, sold its remaining 44.32m shares in the colony's former telecoms monopoly.

Mr Henry Fan, managing director of Citic Pacific, said the funds raised would be channelled into infrastructure and property projects in China and Hong Kong. While there are no specific plans, Mr Fan said a number of discussions were under way and he was "reasonably confident" of at least some coming to fruition.

Citic sold the Hongkong Telecom shares at HK$14.35, which represents a 5 per cent discount to yesterday's close of HK$15.10. Stock was sold to institutions worldwide, according to Mr Fan. The placement was made through Peregrine Capital.

The Hongkong Telecom shares were originally injected into Citic Pacific from Citic Hong Kong at a rate of HK$7.80 a share in January 1993, which suggests a profit of more than HK$1bn, allowing for expenses.

The cash-raising, which comes at a time when the Hong Kong stock market and Hongkong Telecom in particular have been enjoying a rally, highlights Citic Pacific's desire to build up funds in advance of forthcoming projects. In Hong Kong, these include the HK$40bn Central reclamation development, for which Citic last week submitted a tender as part of a consortium with Mr Li Ka-shing's Hutchison Whampoa and Cheung Kong companies, and plans to develop further the residential ghetto of Discovery Bay on Lantau island.

Two weeks ago, Citic Pacific raised HK$3.24bn through a share placement and in August last year it trimmed its 12.5 per cent holding in Cathay Pacific, the colony's de facto airline, to 10 per cent, raising about HK$834m. Citic Hong Kong has previously disposed of shares in Hongkong Telecom, selling 61m shares to raise HK$945.5m last year. The price paid for the stock at that time was an average HK$15.50 a share.

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This announcement appears as a matter of record only DECEMBER 1995

EUROPEAN NEWS DIGEST

Springer expands in eastern Europe

Axel Springer, the German publishing and media group, has stepped up its activities in eastern Europe by acquiring a 49 per cent in Ringier-Taurus, a joint venture which has substantial newspaper interests in the Czech Republic and Slovakia. Springer bought the stake from the Munich-based Kirch group for an undisclosed sum. Ringier-Taurus was formed in 1991 by Kirch and Ringier, the Swiss publishing house, to tap the growing media market in the Czech Republic and Slovakia. Since then, Ringier has established a foothold in other parts of eastern Europe – including Poland, Hungary, Bulgaria and Romania – with Gannet, the US newspaper group.

The deal will give Springer stakes in 14 Czech and seven Slovak publications – the first time it has secured newspaper interests in this part of central Europe. Annual total turnover of these publications has increased significantly, from SFr9m in 1991 to more than SFr87.7m ($74.69m) in 1994. Springer has a large presence in Hungary, where it has a majority interest in nine regional newspapers and publishes six magazines. In Poland, it quickly became market leader with Pani Domu, a women's magazine set up in September 1994.

Judy Dempsey, Berlin

Groupe Bull seeks more partners

Groupe Bull, the French computer maker, is looking for more outside partners to take a stake in it this year, as a means of pursuing its gradual privatisation and reinforcing its return to profit last year. Bull said yesterday that its president, Mr Jean-Marie Descarpentries, had informed the government this week that it wanted a fourth industrial investor, preferably European, to match Motorola of the US, NEC of Japan and France Télécom, which now each have 17 per cent of Bull. Bull would also like to see a financial investor take between 3 per cent and 4 per cent of the company this year.

The French state still has 36 per cent of Bull, which together with the stake of state-owned France Télécom gives it control of the group. But over the next two years, the French government is due to reduce its stake to 10-20 per cent.

David Buchan, Paris

Philips to dismantle unit

Philips, the Dutch electronics group, is to dismantle its communications systems division after selling a large part of the business to AT&T of the US in December. The businesses sold off were Philips' activities in public network telephony, leaving a number of organisations involved in "personal communications" such as cellular phones, facsimile machines and pagers. These will be transferred to other parts of the group.

The value of the communications businesses in the deal has not been disclosed. But Philips described the fact that some 3,500 employees would be transferred to AT&T, out of a total of 12,000 communications staff, as a "guide" to how much of the communications business was being divested. The total communications business generated turnover of Fl 4bn ($2.4bn) in 1994.

Ronald van de Krol, Amsterdam.

Sabena to sell catering unit

Sabena, the Belgian national carrier, plans to sell its airline catering unit to Gate Gourmet, a Zurich-based unit of Swissair, which has a 49.5 per cent equity stake in Sabena. Terms were not disclosed. Sabena said the move was part of a projected business plan to boost profitability, strengthen competitiveness and help it adjust to market conditions.

Reuter, Brussels

Nokia to cut 600 jobs after TV sales slide

By Christopher Brown-Humes in Stockholm

Nokia, the Finnish telecommunications group, moved to tackle problems in its troubled consumer electronics division yesterday when it announced plans to cut 600 jobs and said it was considering strategic partnerships with other companies.

The moves follow an unexpectedly sharp downturn in television sales in west European markets – particularly France and Germany – amid falling consumer confidence.

Nokia warned in December that the difficulties would lead to a significant loss for its consumer electronics unit in 1995. At that time, Mr Jorma Ollila, chief executive, promised action to remedy the problems. Analysts interpreted his remarks to mean the group would only keep its TV businesses if they could be made profitable.

Nokia said the job cuts, amounting to 15 per cent of its consumer electronics workforce, would lead to reduced TV set production, following a 5 to 10 per cent fall in European demand for TV sets last year. It said the brunt of the job losses would fall on its plants at Bochum in Germany and Turku in Finland.

Strategic alliances are being examined because these would limit the group's exposure to TV production, but enable it to exploit its TV expertise for multimedia projects.

Nokia has been plagued by problems in its consumer electronics unit, which made a modest FM19m ($4.3m) operating profit in 1994 after a FM747m deficit a year earlier. The division has already been extensively restructured.

Its latest problems come when Nokia has seen its share price fall sharply because of worries about a slackening in the previously spectacular pace of growth of its core mobile phone business. At the end of last year, it warned it had been hit by internal production problems and a slower pace of growth in the US market for analogue mobile phones.

Giat tumbles to record loss of FFr11.8bn

By David Buchan in Paris

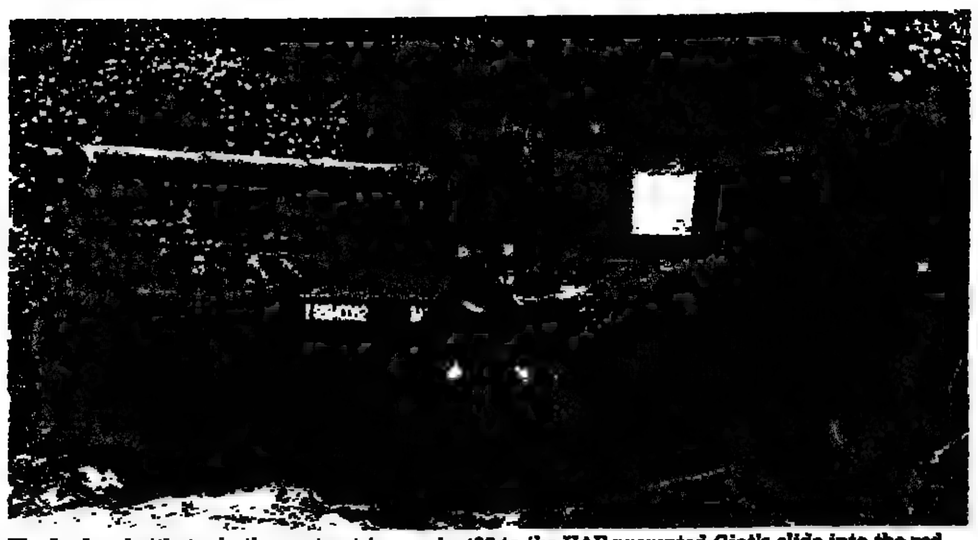
Giat Industries France, the tank and munitions maker, yesterday announced one of the worst results ever recorded by a French state company.

The group ended last year FFr11.8bn ($2.36bn) in the red, and warned of an even higher loss after the addition of provisions for desperately-needed restructuring. At the end of 1994 losses amounted to FFr2.9bn.

The deficit amounted to about FFr1m for each of its 12,500 employees in France, who produced only FFr5.3bn worth of sales last year.

The figures dramatically underline the urgency of rationalisation within the state-owned part of the French defence industry. The government has promised to recapitalise Giat, which it is legally obliged to do by the end of this year to save the company from bankruptcy. However, it will do so only after the 1995 accounts have been finalised in April and a restructuring plan has been presented.

Mr Jacques Loppion, brought in last year from Pechiney to replace Mr Pierre Chiquet as head of Giat, said the company's slide into the red was "embarrassing for the whole board".



The Leclerc battle tank: the contract to supply 436 to the UAE prompted Giat's slide into the red

He claimed it was the result of a contract to supply the United Arab Emirates with 436 Leclerc tanks, of financial miscalculations on exchange rate cover and investments related to that contract, and of constraints in reducing the workforce in line with falling sales, rather than any malfeasance. Defence ministry aides yesterday did not rule out legal proceedings against the previous Chiquet administration.

Giat won the UAE order against stiff international competition at a fixed price of $3.6bn, on condition it retrofit to the tanks any improvements made to the French army version and guaranteed a level of investment in the UAE by other companies to offset indirectly the cost of the contract.

But Mr Loppion claimed there would have been nothing wrong with the UAE contract, if the generous advance payments – made by the UAE in return for demanding the fixed price – had been properly invested and if Giat had correctly calculated the dollar's movements.

As it turned out, falling interest rates meant the invested advances produced more than FFr2bn less than Giat originally estimated. In addition Giat lost another FFr2bn by taking out exchange rate cover for the dollar-price contract on the assumption the dollar would rise above its April 1993 level of FFr5.50 to the dollar, rather than fall as it eventually did.

Mr Loppion claimed yesterday the company was no longer "speculating on a rise in the dollar", and was "now completely covered against a further fall in the dollar".

Among other short-term measures, the Giat president said he had ordered a cut in operating costs of FFr200m a year, an end to diversification ambitions, and a reorganisation of the company into two divisions – armoured vehicles and munitions. This would facilitate the forging of international alliances with companies such as Royal Ordnance of the UK and Krauss-Maffei, the German tank maker.

Strength of Swiss franc cuts Roche sales growth to zero

By Daniel Green

The strength of the Swiss franc cut sales growth at Roche, Switzerland's biggest pharmaceuticals company, to zero, according to figures for 1995 from the company yesterday. Sales of SFr14.7bn ($12.5bn) were virtually unchanged from 1994, but when measured in local currencies, were 11 per cent higher.

Roche certificates fell SFr170 to SFr 8,770 on the Zurich stock exchange. The company, which usually publishes full results in April, said it expected net profits to be higher in 1995 than in 1994. It actively manages its large cash reserves and said "the group's non-operating results were good".

Sales in the pharmaceuticals division rose to SFr9.2bn from SFr8.3bn, but sales of vitamins and fine chemicals fell to SFr3.1bn from SFr3.2bn. Diagnostics sales, excluding Roche Biomedical Laboratories which was merged last year into the Laboratory Corporation of America, in which Roche owns at 49.9 per cent stake, rose to SFr639m from SFr605m.

Perfume and aroma sales declined to SFr1.44bn from SFr1.53bn in 1994, although there was growth in South America and the Asia-Pacific region, excluding Japan.

The pharmaceutical division saw sales increases in all important regions, the company said. The drugs with higher sales volumes included Rocephin, an antibiotic, anaesthetic Dormicum, Roaccutane, for acne, and Roferon-A, used in cancer and hepatitis.

New drugs, including antidepressant Aurorix, and Hivid, for Aids, saw "pleasing" growth rates as a result of their introduction into new markets. Invirase, another Aids drug, was launched immediately after its approval by the US in December and is meeting "great demand", Roche said.

Ms Birgit Kulhof, UBS pharmaceuticals analyst said the sales figures were in line with forecasts.

She said the underlying pharmaceutical sales growth rate of 9 per cent in the fourth quarter was slightly above the global market average rate of 7 per cent to 8 per cent.

Distribution of over-the-counter (OTC) drugs, which are sold without prescription, have been bolstered by acquisitions in France and Italy.

The vitamins and fine chemicals division maintained market share in spite of intensive market competition, said Roche. Sales of citric acid and the Lasalocid poultry treatment did well.

Falling demand in beverages hurt the Roche's North American aroma business.

"The strong Swiss franc led to continued price pressures in the perfume chemicals business in a market characterised by increased competition," Roche said.

The takeover of American Home Food products "considerably strengthened" Roche's position in the animal feed additives business.

The diagnostics division saw "considerable" sales increases in spite of price and cost cutting measures.

COMPANY PROFILE:
Roche

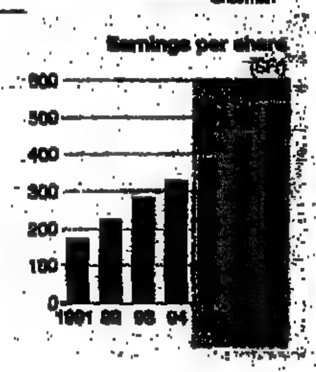
Market capitalisation	$76bn
Main listing	Zurich
Historic P/E	50.6
Gross yield	0.33%
Earnings per share 1994	SFr332
Current share price	SFr16, 800

Fritz Gerber
Chairman

Share price relative to the SMI index

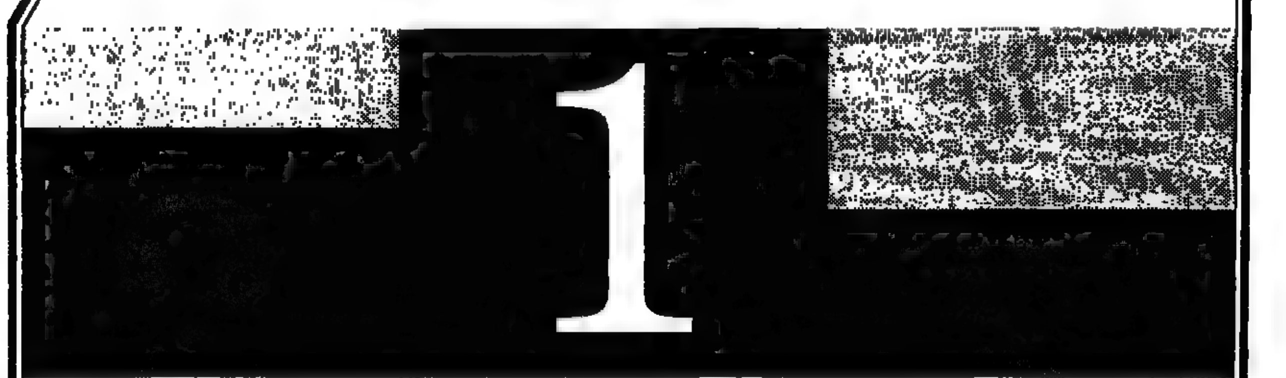
Source: Datastream

Earnings per share (SFr)



Coopers & Lybrand

CORPORATE FINANCE



Coming first is becoming second nature

1995 was a vintage year for Coopers & Lybrand.

We topped the recent 'Dealmakers of 1995' table in The Sunday Times, having advised on more deals than any other corporate finance specialist in the UK.

These findings are supported by separate Acquisitions Monthly research, and are a testimony to the depth and calibre of our resources and our international capability.

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Wallenberg flagship may seek US listing

By Hugh Carnegy in Stockholm

Investor, the flagship holding company of Sweden's Wallenberg industrial empire, is considering seeking a stock exchange listing in the US as part of its attempt to reduce the big discount suffered by its shares because of its diversified investment portfolio.

"There is a very strong institutional interest in the share and a listing, so we can certainly consider it. We will check it out during the spring," Mr Claes Dahlbäck, chief executive, told Sweden's Direkt economic news agency.

"The discount for this type of company in the US usually lies around 10-20 per cent, seldom more than 20 per cent," he added. Investor, which groups most of the Wallenberg holdings in companies such as Astra, Electrolux, Ericsson, Scania, SKF and Stora, has in recent years traded at more than a 20 per cent discount to net asset value.

It was previously blocked from a US listing by US legislation which prohibits foreign investment companies from actively promoting their shares to US investors. But last November Investor won a ruling from the Securities and Exchange Commission exempting it from the legislation.

Mr Dahlbäck said the planned flotation of a majority of Scania, the highly profitable heavy truck maker 100 per cent owned by Investor, would also reduce the discount effect on the company's stock. He said about 65 per cent of Scania would be sold off – but added there was no urgency attached to the flotation.

He acknowledged that Investor could have achieved a high price for a Scania issue six months ago, before signs emerged of a slowing in the recent high demand for heavy trucks. But he said he expected demand to accelerate again next year.

Mr Dahlbäck said discussions were continuing with General Motors of the US on how to improve profitability at the troubled carmaker Saab Automobile, which Investor and GM jointly own. He said Saab needed to increase output from less than 100,000 cars a year to 150,000-170,000 cars. But he said there was "no crisis" at Saab, which reported a slump into losses in the first nine months of 1995.

Air France back in the black midway

By Andrew Jack in Paris

Air France, the state-controlled carrier, yesterday reported net profits of FFr232m ($46.55m) for the six months to September 30 last year, but warned that it was still likely to report losses of FFr1.2bn for the full year.

The group, which is undergoing restructuring ahead of a potential privatisation, said it had been hit by the industrial unrest that affected France late last year.

The profit, which excluded its interests in the airlines Méridien and Air Inter, contrasts with a loss for the same period in the previous year of FFr477m.

It included a gain of nearly FFr380m from the sale of its stake in Sabena, and the creation of a special reserve of FFr630m to fund a cabin-crew redundancy scheme.

Operating profits for the period rose to FFr955m, compared with FFr325m in the same period in 1994. The group stressed that the first half of the year was its busiest period, and the figures could not be extrapolated for the second half.

The Air France company itself reported pre-tax profits before extraordinary items of FFr221m. Including the effects of the redundancy reserve but excluding the capital gains on the Sabena sale, it recorded a net loss of FFr335m.

Air France said it aimed to limit losses to FFr1.2bn for the full year, before its FFr630m charge for the redundancy scheme.

Axa and Generali attempt to sort out their problems

By Andrew Jack

More than six years after two of Europe's largest insurance groups ensnared each other in a complex structure of cross-shareholdings they are now at last moving closer to untangling their ownership.

Late on Wednesday evening, Axa of France and Generali of Italy announced details of a new arrangement which had been awaited over a number of months since the Italian group acquired a French chairman keen to bring about change.

The result will be a simplified structure, a chance for both parties to realise capital gains and free up investments, and the prospect of opening the way to a US stock market listing for the French group.

It was in 1989 that Compagnie du Midi, a French insurance group in which Generali had acquired a substantial stake, was finally taken over by Axa following a protracted battle.

By the start of the following year, the arrangement currently in place had been agreed: Generali held 40 per cent of Midi Participations, the immediate parent company to Axa SA, the quoted company. Midi holds a 42.3 per cent stake in Axa. Similarly, Axa held 40 per cent of GME, a holding company for Generali.

But since neither GME nor Midi was quoted, both insurers found themselves with illiquid investments. Equally, there was little indication that the two groups were co-operating very closely in other ways that might have justified the stakes.

Claude Bébéar: Italians unwilling to collaborate on projects

The situation was highlighted ironically when Mr Antoine Bernheim, a Frenchman who is a senior partner with the Paris-based financial group Lazard Frères, and who speaks little Italian, was appointed head of Generali last autumn.

He hinted that Generali was dissatisfied with its limited role in managing Axa despite the size of its investment and that if the two groups could not develop closer synergies "we won't stay".

Axa argued that the fault had been Generali's. Mr Claude Bébéar, the French insurer's chairman, stressed after Mr Bernheim's comments that the Italians had always consented to his board's decisions but had not been willing to collaborate when it suggested joint projects in the past.

Under the arrangements unveiled this week, Axa will cease to hold any shares in Generali. Its stake in GME will be paid off in the form of 10m Axa SA shares it currently holds, a transaction likely to give rise to a capital gain of more than FFr600m ($120.4m).

Generali is also likely to report a capital gain, and will substitute its shares in Midi Participations by the quoted shares of Axa SA, into which Midi is to be absorbed. It will hold 11 per cent of the group's shares and 15.6 per cent of the voting rights at that point, down from 17 per cent held indirectly today.

Finaxa, which previously held the remaining 60 per cent of the Midi shares, and which is jointly held by a series of French mutual insurers and Paribas, the financial group, will hold 30.6 per cent of Axa's shares.

The changes will be partly brought about through a FFr5.9bn rights issue, itself allowing Axa to reduce its debt and hold substantial cash for future acquisitions.

There is a second part of the deal. Both Finaxa and Generali are expected to release between them FFr1bn-FFr2bn by value of Axa shares on to the New York Stock Exchange this summer.

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AMERICAS NEWS DIGEST

Boise Cascade sees lower profit in 1996

Concerns that paper companies' profits are beginning to turn down were strengthened yesterday when Boise Cascade, the US paper and forest products group, said its 1996 earnings would be below the record level of 1995. However, the group said the new year would still be a good one.

Fourth-quarter net income was up from $25.9m at $70.4m, after a net pre-tax charge of $6m reflecting an accounting charge largely offset by a $68.9m gain on the sale of a business. Fully-diluted earnings per share were up from 32 cents to 76 cents, after a net 6 cents charge. For the year, a net loss of $62.6m turned to net income of $352m. Excluding one-off items, the turnround was from a loss of $35.6m, or $2.37 a share fully diluted, to a profit of $337m, or $5.14.

Paper prices rose sharply in 1995. However, customers stocked up early in the year in an attempt to beat price increases. By the end of the year, demand was weakening as customers used these stocks. As a consequence, Boise cut production by 63,000 tons in the fourth quarter.

The company said it expected paper stocks to return to normal levels during 1996, which would lead to higher levels of production and more price increases. However, it said the outlook for wood products remained sluggish.

Maggie Urry, New York

Bowater lifts earnings to $95m

Bowater, the largest US newsprint producer, increased fourth-quarter earnings from $11m to $95m, excluding the effect of one-off items. Earnings per share rose from 17 cents to $2.10 fully diluted. After a 22 cents charge in the latest quarter relating to the repurchase of the group's preferred stock, earnings per share were $1.88. Sales in the fourth quarter rose 42 per cent to $544m.

For the year, net income was $301m before non-recurring charges covering debt repurchase, restructuring charges and a write down of an investment. Including those items, net income in 1995 was $247m, compared with a net loss of $5m in 1994. The loss per share of 59 cents in 1994 turned to earnings of $5.22 in 1995. Sales for the year rose from $1.4bn to $2bn. The group said strong market conditions drove profits up. Demand for newsprint and coated groundwood papers remained good, Bowater said, but demand for market pulp weakened late in the fourth quarter. The results also benefited from cost-cutting and the reduction of debt.

The group said it expected to sell $90m-worth of timberlands in the first quarter of 1996, but added that talks to sell its computer forms business had not resulted in a deal. The division was put up for sale in May last year. The group wrote down the value of the investment in that business in its third-quarter results.

Mr Arnold Nemirow, who became Bowater's chief executive in March last year, is to take on the chairmanship at the end of March this year when Mr Tony Gammie retires after 11 years, as chairman.

Maggie Urry

Salomon hires from rival

Salomon Brothers, the investment bank, has hired four media specialists from rival Bear Stearns to strengthen its team. The additions bring the media group to 25 people, covering cable, publishing, broadcasting, film and theatrical distribution.

Media was one of the most active areas in mergers and acquisitions in 1995, with deals such as the Disney/ABC Capital Cities merger, Time Warner's bid for Turner Broadcasting and Westinghouse Electric's approach to CBS. The sector is closely allied to telecommunications, another vibrant area for investment banking advice. Mr Eric Fast, co-head of global investment banking at Salomon, said, "media and telecom have been among our strongest franchises and the addition of these senior professionals increases our ability to broaden our coverage and better serve our clients globally".

Two of the four, Mr John Otto and Mr Fehmi Seko, will become managing directors of Salomon Brothers. The other two are Mr William Mills and Mr Peter Olaynack. After a number of resignations early in 1995 following well-publicised discontent among some of Salomon Brother's managing directors, the latest appointments suggest Salomon Brothers can still attract talent.

Maggie Urry

US retailer to spin off shoe arm

May Department Stores, one of the biggest department store groups in the US, yesterday said it planned to spin off its Payless ShoeSource division through a tax-free giveaway of shares in the new company to May Department Stores' shareholders. It said the move would allow the parent company to focus on expanding its core department store business. "We believe that separating the businesses into two independent companies is in the best interests of our share owners," said Mr David Farrell, chairman and chief executive of May Department Stores.

Payless ShoeSource is the biggest shoe retailer in the US. It has 4,557 self-service family shoe stores across the nation and sold 185m pairs of shoes in 1994 – one in every five pairs sold in the US. Its 1994 revenues were more than $2.1bn.

Although Payless ShoeSource has been expanding, it has recently proved a drag on the parent company's earnings because sales at existing stores have declined. The department store division, by contrast, has been doing well, increasing sales at existing stores while growing rapidly through acquisitions. May Department Stores said Payless ShoeSource's management planned to close or relocate 450 stores, bringing a charge of $70m to the parent company's fourth-quarter earnings.

Richard Tomkins, New York

Shares in USAir rise 20% on news of new chief

By Richard Tomkins in New York

Shares in USAir, the US carrier in which British Airways holds a 24.6 per cent stake, leaped $2½ to $14¾ in early trading yesterday – a rise of more than 20 per cent – as the market reacted enthusiastically to the news that Mr Stephen Wolf, former head of United Airlines, was to become chairman and chief executive.

The surprise announcement came late on Tuesday, after the market closed.

Yesterday, investors took the view that Mr Wolf was ideally qualified to tackle USAir's chronic financial problems, many of them stemming from the airline's excessive costs.

USAir has the highest operating costs of any airline in the US. These partly reflect the airline's role as a short-haul carrier in the congested eastern US, but they are also seen as a product of its failure to get to grip with its labour costs.

Last year Mr Wolf's predecessor, Mr Seth Schofield, came close to persuading USAir's labour unions to swap wage cuts worth $500m a year for a 20 per cent stake in the company.

However, the deal fell apart in July after employees voted against it.

Mr Wolf comes to USAir with a long but sometimes controversial reputation as an airline industry turnround specialist.

Before joining United in 1987, he had held top jobs at several large US airlines, often forcing wage concessions as part of his efforts to improve the airlines' financial performance.

At United, Mr Wolf persuaded employees to yield $4.9bn worth of labour concessions in return for a 55 per cent controlling stake in the company.

But his tough stance during the negotiations won him few friends among the workforce, and he was obliged to leave the company when the employees took over.

However, Mr Glenn Engel, an analyst at Goldman Sachs, said whether or not Mr Wolf was liked by USAir's employees was less important than whether they respected him. "In Mr Wolf's case, I think there will be clear respect from the unions because here is an airline person who knows how to operate an airline," Mr Engel said.

"You don't want to make concessions to a pure financial operator who is not really going to build the airline, because then you will feel it's worthless. But if you feel there is somebody good running your organisation you are willing to give them more latitude."

Even so, one big obstacle Mr Wolf will face in negotiations with the unions will be USAir's recent burst of profitability.

Against a background of buoyant conditions in the US airline industry, USAir managed to report its first profitable quarters for six years last year, leading the unions to ask why any concessions should be necessary.

Record quarter for Computer Associates

By Louise Kehoe in San Francisco

Computer Associates, the US software group, reported record results for its fiscal third quarter, helped by strong demand for software used on networks of distributed computers.

Net income for the quarter, ended December 31, was well above Wall Street estimates at $227.2m, an increase of 30 per cent over last year's $174.2m.

Earnings per share rose from 69 cents to 90 cents in the same period last year, adjusted for an August three-for-two stock split.

Revenue for the quarter was $1bn, up 39 per cent from $721m.

CA's share price rose on news of the results to trade at $59¼ in mid-session, up from Tuesday's close of $56⅝.

During the quarter CA launched new products for managing secure electronic commerce on the Internet. The company also forged agreements with Netscape Communications, the leading Internet software company, and Microsoft, the personal computer software leader, aimed at expanding its role in the growing Internet software market.

For the year to date, CA reported net income of $486.6m, or $1.92 a share, up from $373.6m, or $1.45, in the first nine months of fiscal 1994. Revenues rose 31 per cent from $1.8bn to $2.4bn, excluding acquisition charges in both years.

● Spyglass, another Internet software developer, also reported higher-than-expected quarterly earnings.

For its first fiscal quarter, ended December 31, revenues rose more than 90 per cent, from $2.0m a year earlier to $3.8m. Net income was $12m, or 6 cents a share, compared with $7.5m, or 4 cents.

Editorial Comment, Page 17

Intel's slowdown highlights changing role

The group blamed results on its growing motherboard business, writes Louise Kehoe

Intel's fourth-quarter results, which fell short of Wall Street expectations, have fuelled fears among technology investors that growth is slowing in the personal computer market, a primary driver of high technology growth.

Reporting after the market close on Tuesday, the world semiconductor industry leader said its quarterly net income rose to $867m, or 98 cents a share – more than double the $372m, or 43 cents a share, reported in the same period a year ago, but well below analysts' estimates of about $1.09 a share.

Revenues rose 42 per cent from $3.2bn to $4.6bn.

The worldwide PC industry, to which Intel supplies microprocessor chips and circuit boards, saw sales growth of about 25 per cent in the fourth quarter, but did not meet the company's higher expectations. In particular, Intel's US revenues were "essentially flat" in the fourth quarter, compared with the previous quarter, the company said.

Moreover, Intel now expects first-quarter 1996 sales to be similar to those of the last quarter, at $4.6bn.

Given rising costs for new plants and equipment, together with higher depreciation costs on existing plants, analysts expect the company's earnings to be flat or slightly down.

Noting market analysts' forecasts for growth of between 17 per cent and 20 per cent in the PC market in 1996, Intel tacitly acknowledged that the heady growth of the first nine months of 1995 might now be waning.

However, Intel's fourth-quarter report also highlighted its changing role in the PC industry.

As the dominant supplier of microprocessor chips to PC manufacturers, Intel has long been regarded as an industry bellwether.

Over the past two years, however, the company has also become one of the biggest manufacturers of PC "motherboards", the main circuit boards inside a PC.

Acknowledging that fourth-quarter earnings did not meet its own expectations, or those of the financial community, Intel blamed the shortfall on problems in this segment of its business.

Sales of PC motherboards were lower than expected, Intel said, with several customers around the world reducing orders. As a result, Intel found itself with excess stocks of memory chips, purchased from other chip makers. Falling prices for memory chips over the past two months forced Intel to write down the value of these excess stocks to the tune of about $70m, or 6 cents to 8 cents a share.

Intel's involvement in the motherboard business, although largely overlooked until now, has been growing rapidly over the past two years.

The company originally entered the circuit board business to provide its PC industry customers with a quick way to make a transition to its new generation of Pentium microprocessors.

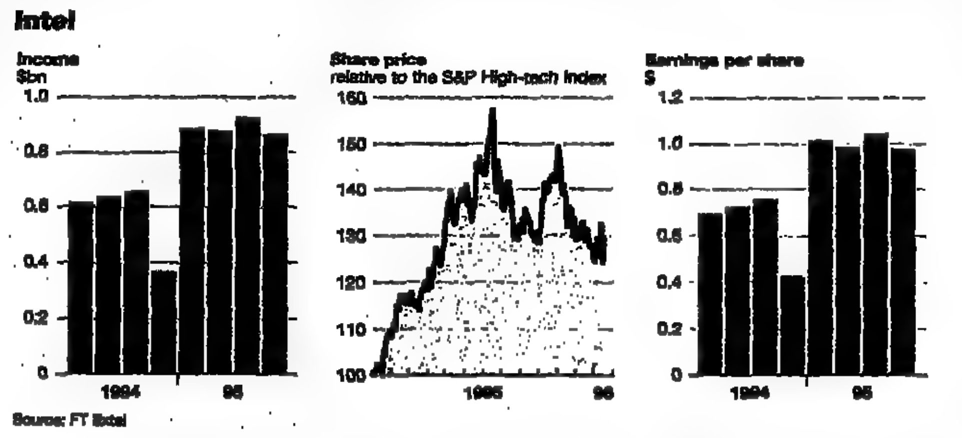
By building the circuit boards itself, Intel aimed to eliminate a potential bottleneck as PC manufacturers designed new circuit boards, thereby ensuring that the PC industry could move quickly in adopting the new chips.

The strategy has been very successful and is reflected in the rapid pace of advance in PC performance.

A new PC purchased today for $2,000 is significantly faster than one that might have been bought a year ago for the same price.

With its move into circuit board manufacturing, however, Intel has become vulnerable to risks that are more commonly associated with computer companies.

As Intel pursues the development of new PC applications that make use of its highest performance microprocessor chips it will increasingly be regarded as a systems company, rather than simply as the world's biggest chipmaker.



If there's a solution to be found, ABN AMRO Hoare Govett will find it.

December 1994
Placement of a package of shares of
Van Lanschot Beleggings Compagnie B.V.
held by National Westminster Bank Plc to a consortium of 7 financial institutions
Financial adviser and placing agent
ABN AMRO Hoare Govett

January 1995
Van Doorne's Transmissie B.V.
has been acquired by
Robert Bosch GmbH
Financial adviser to the sellers
ABN AMRO Hoare Govett

February 1995
Pakhoed France SARL
has acquired
Lambert Rivière SA
for
FFR 408,000,000
Financial adviser to Pakhoed France SARL
ABN AMRO Hoare Govett

May 1995
N.V. Luchthaven Schiphol
acquisition of a shareholding in
Flughafen Wien A.G.
Financial adviser to N.V. Luchthaven Schiphol
ABN AMRO Hoare Govett

June 1995
Orco Bank N.V.
NLG 430,000,000
Financial restructuring through a public offer
Financial adviser and facilitator to Orco Bank N.V.
ABN AMRO Hoare Govett

July 1995
Centros Shopping
a Continente group company in Spain
has sold its shopping mall
La Rosaleda
in Malaga
to the investment group
Forum International Holdings II B.V.
Financial adviser to Centros Shopping
ABN AMRO Hoare Govett

August 1995
Grolsch N.V.
has successfully acquired a 12.75% indirect participation in
Elbrewery Company Ltd. Sp. z o.o.
and
Hevelius Brewing Company Ltd. Sp. z o.o.
Financial adviser to Grolsch N.V.
ABN AMRO Hoare Govett

September 1995
Hagemeyer N.V.
has successfully completed its public offer for all outstanding registered ordinary shares and bearer depositary receipts for registered ordinary shares in
Koninklijke Borsumij Wehry N.V.
for a value equal to
NLG 828,000,000
Financial adviser to Hagemeyer N.V.
ABN AMRO Hoare Govett

October 1995
Gist-Brocades S.A.
a subsidiary of
Royal Gist-Brocades N.V.
has acquired the bread improvers and pastry ingredients activities of
Mose Alimentaria S.A.
in Barcelona
Financial adviser to Royal Gist-Brocades N.V.
ABN AMRO Hoare Govett

November 1995
Reed Elsevier Nederland B.V.
a subsidiary of
Reed Elsevier plc
has sold all outstanding shares of
Nederlandse Dagbladunie B.V.
to
PCM Uitgevers N.V.
for
NLG 865,000,000
Financial adviser to Reed Elsevier plc
ABN AMRO Hoare Govett

December 1995
Corporacion IBV
has provided entry to
Vedior International B.V.
a subsidiary of
Vendex International N.V.
through the sale of 30% of the share capital in the temporary employment company
Laborman Empresa de Trabajo Temporal S.A.
in Bilbao, Spain
Financial adviser to Vedior International B.V.
ABN AMRO Hoare Govett

December 1995
Getronics N.V.
and
Roccade Informatica Groep N.V.
have each acquired 50% of the shares in
Raet N.V.
Financial adviser to Getronics N.V. and Roccade Informatica Groep N.V.
ABN AMRO Hoare Govett

ABN AMRO HOARE GOVETT
A great part of a great network.

The above announcements appear as a matter of record only.

Hankook Tire Manufacturing Co., Ltd.
(incorporated with limited liability in Korea)

Notice to the Holders of the outstanding

U.S. $25,000,000

0.25 per cent. Convertible Bonds due 2010
(the "Bonds")
of
Hankook Tire Manufacturing Co., Ltd.
(the "Company")

NOTICE IS HEREBY GIVEN to the holders of the Bonds that due to a recent rights issue and future bonus issue as previously verified in the Financial Times and Luxemburger Wort on 17th November, 1995, an adjustment of the Conversion Price will and has been made accordingly:

Issue	Old Conversion Price	New Conversion Date	Effective Date
Rights Issue	82,292	77,533	1/12/95
Bonus Issue	77,533	73,841	5/3/96

18th January, 1996 Hankook Tire Manufacturing Co., Ltd.

Correction Notice

S.G.Warburg Capital B.V.

U.S.$200,000,000 Floating Rate Notes 2006

unconditionally and irrevocably guaranteed by

S.G.Warburg Group plc

In accordance with the provisions of the Notes, notice is hereby given that, for the six month period, 11th January, 1996 to 11th July, 1996, the Notes will bear interest at the rate of 5 ¹¹/₁₆ per cent. per annum. Coupon No.20 will therefore be payable on 11th July, 1996 at U.S.$7,188.37 per coupon from Notes of U.S.$250,000 nominal and U.S.$287.53 per coupon from Notes of U.S.$10,000 nominal.

S.G.Warburg & Co. Ltd.
Agent Bank

[illegible]
The Humber Ports: Gateway to Europe
[illegible]

• The FT is circulated in 160 countries worldwide, with a readership in excess of one million people.
• The Weekday FT is read by 139,000 senior business people in Great Britain.
• More senior UK business people read the FT than any other National Daily Newspaper.
• More than half of Europe's top Chief Executives read the FT.
• The FT reaches more Captains of Industry in Great Britain than any other national newspaper.

For a full editorial synopsis and details of available advertisement positions,please contact-

Pat Looker
Tel: 0161 834 9381
Fax: 0161 832 9248
Alexandra Buildings, Queen Street, Manchester M2 5LF

Data sources: BMRC 1993, EBRS 1993, CDI 1992

FT Surveys

INTERNATIONAL COMPANIES AND FINANCE

Notice of Early Redemption
to the Holders of
Heart III Limited (the "Issuer")
USD 700,000,000.-
Secured 8 7/8% Notes Due 2001
(the "Notes")
Secured by a charge on USD 700,000,000.- 8 7/8%
Subordinated Loan Participation Certificates due 2001
(the "Certificates")
issued by J.P. Morgan GmbH for the purpose of financing a subordinated loan to The Dai-Ichi Kangyo Bank, Limited

Notice is hereby given that, in accordance with Condition 6(b) of the Notes, the Issuer has elected to redeem all of the Notes at a redemption price of 100 per cent. of the outstanding principal amount thereof on 13th February, 1996, (the "Redemption Date") following the early redemption of the Certificates.

On or after the Redemption Date, the Notes will become due and payable in such currency of the United States as at the time of payment shall be legal tender for the payment of public and private debts. The Notes (together with accrued interest thereon) will be paid upon presentation and surrender of the Permanent Global Note (as defined in the Trust Deed dated 20th February, 1991) to or to the order of the Principal Paying Agent at its office as follows:

Dai-Ichi Kangyo Bank (Luxembourg) S.A.
2, Boulevard de la Foire,
Place de l'Etoile,
L-1528 Luxembourg,
Luxembourg

Payments other than in New York City will be made by U.S. Dollar cheque drawn on, or by transfer to a U.S. Dollar account maintained by the payee with, a bank in New York City.

From and after 13th February, 1996, interest on all said Notes will cease to accrue.

Heart III Limited
by: Dai-Ichi Kangyo Bank (Luxembourg) S.A.
Principal Paying Agent

18th January, 1996

Notice of Early Redemption
to the Holders of
USD 700,000,000.-
8 7/8% Subordinated Loan Participation
Certificates due 2001 (the "Certificates")
issued by J.P. Morgan GmbH (the "Bank")
for the purpose of
funding and maintaining a subordinated loan to
The Dai-Ichi Kangyo Bank, Limited (The "Borrower")

Notice is hereby given that, in accordance with Condition 6. of the Certificates, the Bank has elected to redeem all the Certificates at their outstanding principal amount on 13th February, 1996, (the "Redemption Date") following the prepayment of the whole loan from the Borrower. The Redemption Amount payable on each Certificate shall be USD 1,000,000.-

Payment of Principal will be made on or after the Redemption Date against presentation and surrender of the Certificates at the specified office of the Principal Paying Agent, or at the option of Holders, at any specified office of the Paying Agent listed below. Certificates should be presented for payment together with all unmatured Coupons relating thereto. Certificates and Coupons will become void unless presented for payment within periods of 10 years and 5 years respectively from 13th February, 1996 as defined in Condition 11 of the Certificates except for any unmatured Coupons missing from a Certificate presented for redemption, which will be valid for up to 10 years from the date of redemption, as defined in Condition 7 of the Certificates.

Paying Agents
Dai-Ichi Kangyo Bank (Luxembourg) S.A.
2, Boulevard de la Foire,
Place de l'Etoile,
L-1528 Luxembourg
Dai-Ichi Kangyo Bank (Schweiz) AG
Löwenstraße 32
CH-8001 Zurich

18th January, 1996

Strong gains for BankAmerica and Norwest in term

By Richard Waters in New York

BankAmerica reported a 19 per cent rise in after-tax profits in the final quarter of last year, adding to the list of US banks which this week have reported record annual earnings.

Norwest, the Minneapolis-based institution which has become one of the most profitable regional banking groups in the US, registered net income growth of 26 per cent, helped in part by acquisitions.

Results from both banks reflected trends already apparent from other US banks' figures this week. Despite a slowing of loan growth in recent month, lending – particularly to consumers – remains well up on a year ago.

Lending margins are only slightly below their historically high levels of 1994, and loan losses remain subdued.

In the latest quarter, BankAmerica's net interest margin slipped nine basis points from a year before, to 4.44 per cent.

However, this was more than offset by a 10 per cent increase in average loans compared with the year before. The result was a 6 per cent rise in net interest income, to $125m.

In line with other money-centre banks, BankAmerica recorded an improvement in trading and venture capital profits, which lifted its overall non-interest income by $110m. Costs remained flat.

Norwest saw its net interest margin in the quarter slip 13 basis points, to 5.6 per cent – although the margin rose for the year as a whole. The bank's loan loss experience increased in the quarter, while its provision for credit losses for the year climbed 90 per cent to $312m.

BankAmerica reported net income of $704m, or $1.74 a share, in the fourth quarter of 1994, up from $591m, or $1.40, a year, the year before. Full-year earnings were 22 per cent higher at $2.66bn, or $6.45 a share.

Norwest's after-tax profits in the quarter were 27 per cent higher at $256m, while fully-diluted earnings per share rose 16 per cent to 72 cents. For the year as a whole, net income rose 19 per cent to $956m, or $2.73 a share.

Record R&D spending seen for US drug groups

US pharmaceutical companies expect to spend a record $15.8bn in worldwide research and development in 1996, up 9.6 per cent from last year, Reuter reports from Washington.

The Pharmaceutical Research and Manufacturers of America, a trade group, said the forecast showed a continued increase in research spending since 1970. However, it said the 1996 spending would represent 19 per cent of expected sales, down from last year's 19.1 per cent.

The association said industry sales for this year would be an estimated $96.6bn, a 10.2 per cent increase from $87.6bn last year.

Mr Gerald Mossinghoff, the association's president, said member companies were developing 215 medicines for cancer, 107 drugs for heart disease and strokes, 132 for more than 15 diseases associated with ageing, 110 medicines for Aids and Aids-related conditions, and 118 drugs for neurological disorders.

Caspian takes on a tough business

SsangYong has acquired a stake in the emerging market specialist

Christopher Heath, once Britain's highest paid executive and the architect of Barings' spectacular Asian success story in the 1980s, is back in business.

His new company, the emerging markets securities specialist Caspian, has quietly begun trading in Latin American shares after receiving permission from regulators late last year to start operations in the US and the UK.

On Tuesday, Caspian announced an agreement under which South Korea's sixth largest company, SsangYong, will take a 12 per cent stake. This will help Caspian in the difficult Asian markets, which, along with markets in eastern Europe, it soon plans to enter. Initially concentrating on share trading, Caspian intends later to move into emerging market bonds.


Christopher Heath: 'I didn't want to create a Barings Mark II'

The accord will also enlarge the venture's capital beyond its $50m launch capital. Mr Heath says a rights issue for up to $100m on top of that should be completed in the first quarter.

If Caspian is successful, the current staff of close to 100 – mainly in New York, where already 50 people are based, and London – could grow more than five-fold over five years.

"We saw a lot of potential clients, asking whether they saw a demand for a pure emerging markets broking, capital markets and fund management firm, and the answer we got was positive," he says. "There is nothing between the small boutiques and the vast size of something like SBC Warburg."

Mr Heath is, however, a long way from being the first in the field – as he was when he moved into the Japanese securities markets and built the foundation for Barings' 1980s Asian profits. On the contrary, Caspian is moving late into the emerging markets in competition with many established and better known operations.

Neither is Caspian the only newcomer. While mergers last year, such as ING's rescue of Barings and Swiss Bank Corporation's takeover of Warburg, consolidated the competition, other firms have entered the fray. Among others, Robert Fleming is expanding its business into Latin America; Kleinwort Benson, now backed by Dresdner Bank capital, has enlarged its emerging markets operation; and UBS is doing the same.

Competition has driven down dealing margins for the bread-and-butter business of stockbroking. In Asia, they are razor-thin. In Latin America, where Caspian has launched its operations, they are fatter but shrinking. According to one broker, margins in Latin America shares "are half what they were two years ago", and now stand depending on the market, as low as 0.25 per cent. In eastern Europe, markets are relatively small and trading volumes low.

Broking accounts for a minority of most investment bank revenues these days, but Caspian's capital base is not large enough either to be an important trading house.

Mr Heath sees Caspian's advantage is in the international business to be directed its way by powerful emerging market shareholders. SsangYong, a conglomerate with a big securities house subsidiary, is the second after National Finance, the investment bank owned by Siam Commercial Bank of Thailand. Mr Paul Zuckerman, vice-chairman, says Caspian is talking with other potential partners in the emerging markets.

Caspian also hopes to distinguish its research from the reams already produced by the competition. Mr Heath says its sophisticated computer systems – installed partly with financial controls in mind – will also deliver "real time" research to the desk-top computers of institutional investors. It should also give them access to software and spreadsheets to allow clients to manipulate the data.

He also says Caspian will try to address a common complaint from fund managers who find most current research is too regional in orientation, making comparisons between, say, telephone companies in Mexico and Indonesia difficult.

Success in research and elsewhere will depend on the skills of the people who join. The setback last year in the emerging markets following the Mexican devaluation meant, he says, that good staff could be obtained more cheaply. Many have been made partners, reducing start-up costs and allowing remuneration to be linked more closely with success.

Some well-known figures have joined. The former deputy governor of the Bank of England, Mr Rupert Pennant-Rea, is non-executive chairman, and Mr Robert McNamara, US defence secretary during the Vietnam war era and former president of the World Bank, sits on the board.

Caspian has also recruited partners from a raft of investment banks, most of whom have taken a big initial pay cut. They include Mr James Reed, from Nomura, who is head of equities in the Americas, and Mr Zuckerman, from S.G. Warburg, who is also head of corporate finance.

At least nine have made the move from his former employer, not as many as Barings once feared. Mr Heath hints that more people may yet be recruited from there but adds: "I didn't want to create a Barings Mark II."

Yet however good the team, success will be elusive if the the emerging markets do not continue to grow. Many investors have still to be convinced that they are more than a passing fad, though International Monetary Fund forecasts suggest that emerging markets could account for half of world stock market capitalisation by 2015. Mr Heath will be hoping the IMF is nearer the mark.

Stephen Fidler

Investors not yet ready for Mexican share issues

Leading companies are finding refinancing tough despite improved economic conditions, says Daniel Dombey

On the face of it, Mexico has come a long way from the financial crisis that followed the peso devaluation a little over a year ago.

Interest rates are falling, inflation is at containable rates, and government and private borrowers have raised more than $4.5bn from international capital markets in the last six months, with both sovereign and corporate debt issues recently oversubscribed.

For the first week of 1996, the Mexican stock exchange was rated as the world's most profitable in dollar terms with an increase of 11.8 per cent. Volume was relatively high at an average of more than $200m, and the peso appreciated, suggesting the return of the non-dedicated mutual funds that kept away from the market in 1995.

Although the economy is still in difficult straits – it contracted an estimated 7 per cent in 1995 and is forecast to grow a modest 3 per cent this year – the struggle against inflation has brought better news. A year-end figure of 52 per cent for 1995 was lower than feared.

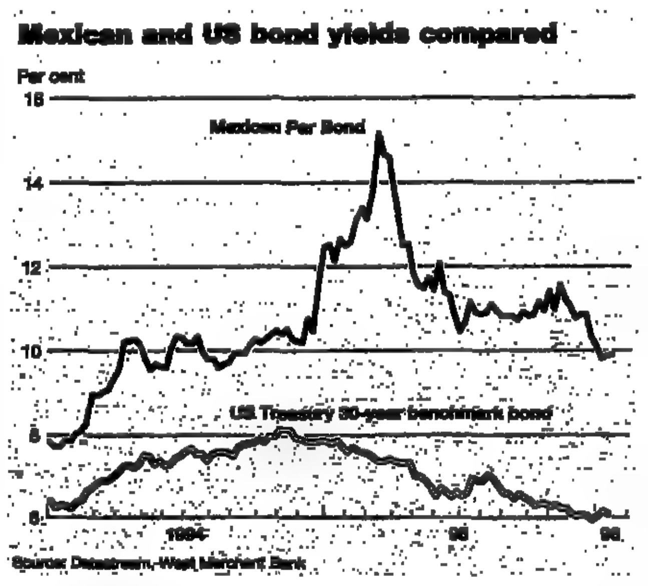
However, the partial and rather choppy return that Mexico has made to international sources of financing is far from business as usual. It will be some time, for example, before the market is ready for new Mexican share issues, although some companies may experiment with convertible bond offerings.

"Access to capital markets will be grudging this year," says Mr Robert Rauch, managing director of the Weston Group, a New York-based investment banking group. "Companies grow used to being able to carry out refinancing. And when that's cut off or becomes uneven, it can result in a level of financial distress."

One Mexican conglomerate, Empresas La Moderna, which issued $125m in new debt last week and $130m in November, still has to carry out a third issue of more than $200m before it can fully restructure short-term debt left from international purchases made just before the devaluation.

Although analysts have praised the company for its expansion, which established it as a leading seed manufacturer, La Moderna had hoped to reprofile its debt in much shorter order.

If the company were a purely Mexican concern, the difficulty of getting financing would have been greater. "We're a global company with plants in some 26 countries. That helped," says Mr Enrique Osorio, the company's treasurer.



Equity issues, which in the early 1990s were largely taken up by international investors, are more problematic. Two other conglomerates, Grupo Alfa, a steel, petrochemical and packaged food producer, and Femsa, the country's biggest beverage company, would like to issue shares in some of their constituent companies, but have found bringing projects forward difficult at a time when the bolsa is still well below its dollar peak.

"The market's belief is that Mexican corporations don't want to sell equity at these prices. The first couple who do so will definitely be in a buyers' market," says Mr Jay Pelosky, Latin American strategist at Morgan Stanley in New York.

In the meantime, access to the debt market will largely be determined by the Mexican government. The government will aim to avoid 1997 and 1998 maturities in order not to exacerbate a bulge in repayments due in those years to the US Treasury and International Monetary Fund.

The issue last week of DM1.5bn – increased from DM1bn – of seven-year 10.375 per cent government eurobonds satisfied German retail investors' hunger for double-digit yields. It also pushed maturities beyond previous levels, helping corporate prospects of securing longer term debt.

However, a more exacting test will be the attitude of US institutional investors, which the government aims to attract with a planned issue $750m of five-year global bonds, the country's first fixed-rate international dollar offering since March 1993.

"As the economy settles down and we start delivering some growth, people will begin seeing Mexican risk improving and realising that it is time to start investing," says Mr Alejandro Valenzuela, a finance ministry spokesman, who hopes that terms and maturities will continue to improve. "Hopefully, they will give us another chance."

One danger is that an upturn in US interest rates would dampen foreign interest, as would a return to the rumour and sense of drift that characterised the Mexican market in autumn last year.

The Zedillo government recently appointed a presidential spokesman to try to stem the political rumours that have added to market instability. However, concerns about electoral reform and political, financial and criminal scandals surrounding the family of former President Carlos Salinas may affect confidence.

Individual companies' ability to get new financing will also hinge on year-end earnings, due in coming weeks. Mr Pelosky of Morgan Stanley believes the Mexican bolsa could rise by 30 per cent in dollar terms this year.

However, while interest in Mexico remains fragile and below the levels of previous years, both government and business will still find financial life something of a struggle.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.01	20.01	21.20
0100	12.80	28.00	27.19
0130	22.17	37.78	38.94
0200	22.17	37.76	38.94
0230	16.14	26.01	27.20
[illegible]	[illegible]	[illegible]	[illegible]

Asahi
ASAHI BREWERIES, LTD.
(Incorporated in Japan with limited liability)
¥30,000,000,000
Floating Rate Notes
1996
In accordance with the Terms and Conditions of the Notes, notice is hereby given that the rate of interest for the period 18th January, 1996 to 18th July, 1996 has been fixed at 2.35 per cent. per annum and that the relevant coupon amount payable on the 18th July, 1996 will be ¥116,858 per note of ¥10,000,000.
THE SUMITOMO BANK, LIMITED
(Agent Bank)

RPS
Residential Property
Securities No.4 PLC
£250,000,000
Class A1 Notes
Mortgage Backed Floating Rate Notes due 2023

We are pleased to announce the election
of the following officers

Philip C. Percival
Vice President

Linda A. Doherty
Stephanie Errico
Eve I. Morton
Alice M. Scherer
Assistant Vice President

Dolores M. Paolicelli-Gad
Assistant Secretary

E.M. WARBURG, PINCUS & CO., INC.
NEW YORK LONDON HONG KONG

January 1996

Templeton

Templeton Global Strategy Sicav
Société d'investissement à capital variable
Centre Neuberg, 30, Grand-rue, L-1660 Luxembourg
R.C. B 35 117

Dividend announcement

Templeton Global Strategy Sicav will pay the following dividends against presentation of the respective coupons:

Fund	Currency	Amount per Share	Coupon number	Payment date
Templeton Global Utilities Fund - Class A	USD	0.025	5	19.01.1996
Templeton Global Convertible Fund - Class A	USD	0.045	6	19.01.1996
Templeton Global Balanced Fund - Class A	USD	0.03	7	19.01.1996
Templeton Global Income Fund - Class A	USD	0.18	7	19.01.1996
Templeton Deutsche Mark Global Bond Fund - Class A	DEM	0.145	7	19.01.1996
Templeton Emerging Markets Fixed Income Fund - Class A	USD	0.2	7	19.01.1996

Principal Paying Agent:
Chase Manhattan Bank Luxembourg S.A.
5, rue Plaetis
L-2338 Luxembourg

The Shares are traded ex-dividend as from January 12, 1996.

For further information, Shareholders are invited to contact their nearest Templeton office:

Edinburgh
Toll-free from U.K.: 0800-374326
International: 0131-469-4000

Frankfurt
069-272-23-272

Luxembourg
466667-212

Hong Kong
2829-0600

The Board of Directors
January 1996

LOMBARD ODIER INVEST
Société d'Investissement à Capital Variable
Registered office: 47, Boulevard Royal, L-2449 Luxembourg
R.C. Luxembourg B 25.301

NOTICE TO SHAREHOLDERS

To the shareholders of Lombard Odier Invest – The Pacific Basin Fund

We are pleased to inform you that your board of directors has decided to change the name of the Lombard Odier Invest – The Pacific Basin Fund to Lombard Odier Invest – The Pacific Rim Fund ("LO – Pacific Rim") with effect from February 15, 1996. It has also been decided that the objective and policy of the renamed LO – Pacific Rim Fund shall be reworded as follows:

"A class designated in USD and invested primarily in equity securities quoted on recognised stock exchanges in the Pacific Rim area excluding Japan and issued by companies located in the Pacific Rim area. It will concentrate on such territories as Hong Kong, Malaysia, Singapore, Thailand, Indonesia, Philippines, Korea, Taiwan and China. It is the intention of the Directors that this class should normally be fully invested in such securities. Investments in non-Eligible States and/or in markets which are not Regulated Markets shall in aggregate not exceed 10% of the net assets of the Fund. Investments in securities of issuers of certain Asia-Pacific countries involve special considerations and risks. These risks are outlined on page 6 of the November 1995 Prospectus in Risk Factors. The Dealing Currency is USD."

Please note that should you disagree with this change you may redeem your shares from the Lombard Odier Invest – The Pacific Basin Fund from January 15, 1996 until February 15, 1996 without cost.

A copy of the November 1995 Prospectus, plus addendums thereto, is available from the Registered Office of Lombard Odier Invest.

The Board of Directors

CHINA MERCHANTS
CHINA DIRECT INVESTMENTS LIMITED
Net Asset Value

China Merchants China Direct Investments Limited announces that as at 31st December, 1995, the unaudited consolidated net asset value per share of the Company was US$1.06.

CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED
(Incorporated with limited liability in Hong Kong)
15th January, 1996

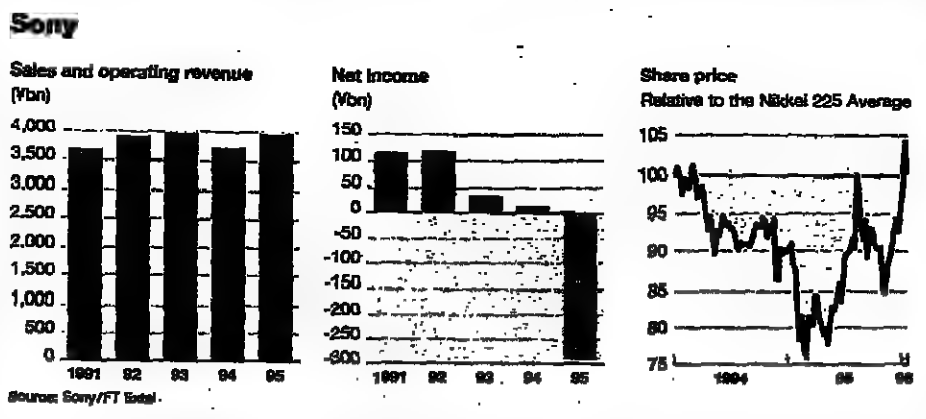
هكذا من الأصل

Sony takes first step in pursuit of its digital dream

The consumer electronics group needed to reinvent itself to avoid being left behind by the multimedia age, reports Michiyo Nakamoto

Sony's decision to revamp its corporate structure is a fitting prelude to a second half-century in business which the company prepares to usher in this spring.

The Japanese consumer electronics company, which celebrates its 50th anniversary in May, said this week it would add two new business units to focus on information technology and communications equipment, establish an executive board to oversee corporate strategy, and create four new corporate R&D laboratories.



Source: Sony/FT Extel.

Sony's reorganisation comes only two years after it overhauled its previous corporate structure and split itself up into a corporate headquarters and eight independent business units called "companies".

While the positive contribution of that earlier reorganisation is recognised by Sony executives and industry analysts alike, the latest move highlights the enormous pressure the company faces to shape itself up to remain a leader in the changing world of consumer electronics.

By introducing further changes to the corporate structure, Mr Nobuyuki Idei, president and chief operating officer for the past year, has sent a strong signal that he recognises the challenges confronting the company.

Sony is at a critical point: what happens next could determine whether the company will survive to commemorate its centenary - or is relegated to the annals of 20th century Japanese business legends.

The growing importance of computers and communications equipment in the consumer electronics market - and the increasing convergence of computing, telecommunications and electronic entertainment in new multimedia products - are forcing established consumer electronics companies to refocus their energies on technologies, rather than the products that have traditionally been their forte.

The conventional audio-visual products Sony makes are being pushed to the lower end of the market, so unless it can establish itself as a leader in the emerging multimedia market, the company's status within the industry and its reputation as a leading electronics company - not to mention its profits - seem certain to take a painful fall.

To avoid that fate, Sony needs to transform itself from an old-style consumer electronics company, dependent on the analogue technology that lies behind conventional audio-visual equipment - from transistor radios to televisions - into a more broad-based electronics company capable of drawing on its expertise in digital technology to invent new products for the multimedia age.

The changes in technology are rearing a new generation of consumer electronics users whom Mr Idei dubs the "digital dream kids". If Sony is to satisfy their needs, the company will have to change its own corporate culture so that it is able to identify with them.

Mr Akio Morita, the charismatic founder of Sony, is a Walkman kid and Mr Norio Ohga, his successor as president and now chairman of the company, is a CD kid. But, says Mr Tamotsu Iba, the company's executive deputy president: "Mr Idei wants to be a digital dream kid."

In its latest reorganisation, the company has taken several steps in pursuit of its dream.

It plans to support promising young talent which will perhaps be better able to grasp the market needs of the new era, and will set up a corporate laboratory dedicated to R&D in software, networks and other information technologies and a separate corporate R&D laboratory with a brief to conduct research in semiconductors and system design.

Furthermore, Sony plans to set up two new companies focused on information technology and telecommunications, which are vital areas for multimedia, where Sony has little experience.

Although Sony makes computers, its efforts in that field have been lacklustre. But it is now joining hands with Intel, the US semiconductor maker, to develop PCs, and with Oki Electric, a leading semiconductor maker, to develop advanced semiconductors.

Sony's decision to set up corporate R&D units that will focus on information technology and semiconductors signifies a more serious effort to build the two areas into pillars of its future operations. The importance Sony attaches to these R&D laboratories is seen from the fact that they stand above the independent companies.

In addition, an executive board is being established to help co-ordinate the efforts of the 10 companies that will comprise the core of Sony in Japan.

The corporate structure introduced two years ago, which divided Sony into eight independent companies, has transformed the extremely large organisation that Sony had become into smaller, more flexible and market-driven units.

Another effect of the system has been to instil a greater sense of responsibility in the top management of each company.

"It has to be recognised that the company system enabled Sony to cut costs," points out Mr Hideki Watanabe, industry analyst at Nikko Research Center.

Nobuyuki Idei: courting 'digital dream kids' with culture change

However, the natural tendency for company heads to concentrate on the performance of their own operations made it difficult for Sony as a group to develop a corporate strategy, as Mr Iba admits.

This is a big drawback for a company striving to establish itself as a leader in a changing market. By maintaining the overall company structure but reinforcing it with an executive board, Sony hopes to get the best of both worlds.

The changes Sony is introducing have been widely welcomed as necessary to equip the company for a new market order in which it will have to strive afresh for star status.

"Sony has not seemed itself in the past few years," says Nikko's Mr Watanabe. What gave Sony its special character and enabled it to bring hit products to the market was its way of pulling all its resources together and sparing nothing in developing new products, he says. The latest changes, he believes, give Sony the chance to regain some of its lost sparkle.

ASIA-PACIFIC NEWS DIGEST

Tubemakers urges rejection of BHP bid

Independent directors of Tubemakers, the Australian engineering group which is facing a A$590m (US$439m) bid from Broken Hill Proprietary for the 51.5 per cent of Tubemakers which it does not already own, yesterday formally recommended rejection of the offer.

In documents sent to shareholders, they said that the offer "undervalues the company's significant growth prospects", and noted that Grant Samuel & Associates, called in as an independent expert, had assessed the value of Tubemakers at between A$4.19 and A$4.43 a share - well above the A$4.05 being offered by BHP. The directors forecast operating profits of A$145.7m in 1995-96, rising to A$181.4m in the following year, and after-tax profits of A$70.1m and A$86m.

Nikki Tait, Sydney

JAL forecasts carriage rise

Japan Airlines said it expected the number of passengers on international flights to expand by 3 per cent to 5 per cent a year between 1996 and 2000 under its latest mid-term management plan. Passenger numbers on domestic routes were expected to expand 5 per cent a year, and cargo capacity, in terms of available tonne-kilometres, was forecast to rise 3 per cent.

For the year to March 1997, JAL expected its international passenger numbers to rise 5 per cent, with domestic numbers increasing 2 per cent. Domestic cargo capacity was forecast to increase 3 per cent in the same period. Domestically, the focus would be on improving existing operations, it said. This included improving the profitability of flights from Osaka by using smaller aircraft and by introducing new schedules. New routes linking Japan with Europe and the US were planned.

AFX News, Tokyo

Daihatsu expects sales increase

Daihatsu Motor has forecast 1996 passenger car sales up 11.7 per cent year-on-year, to 546,000 units. It expects domestic car sales to rise 14 per cent to 470,000 units in 1996, with export sales falling 0.7 pct to 76,000. Offshore production is expected to rise 3.9 pct to 263,000 units in 1996.

Meanwhile, Honda said it had no plans to export car engines produced at its US plant to Japan.

Agencies

Bahrain bank earnings slip

National Bank of Bahrain, the country's biggest commercial bank, blamed higher interest rates and a difficult market environment for a 15.4 per cent drop in its 1995 net profit, to BD10.4m ($28.4m).

Reuter, Manama

Australian gold groups in bid battle

By Nikki Tait in Sydney

A bid battle broke out yesterday over Gasgoyne Gold Mines, the Western Australian gold producer, after Sons of Gwalia, the expansion-minded mining group, announced plans to merge with Melbourne-based Burmine and then make an all-paper offer, said to be worth A$152m (US$113m), for Gasgoyne.

Sons of Gwalia claimed that the combination of its assets and those of Burmine and Gasgoyne would create a goldmining company with dominant tenement positions in three areas of Western Australia, and would rank the group as Australia's sixth largest gold producer by market capitalisation. The merged entity would have forecast annual gold production of at least 450,000 oz a year in 1996-97.

However, there was no immediate response from Gasgoyne, which was the subject of a friendly A$135m offer from Idaho-based Coeur d'Alene Mines just before Christmas.

The Coeur d'Alene terms involved a mixture of shares and cash, and were said to be worth A$2.35 per Gasgoyne share when the offer was made (based on prevailing exchange rates). Coeur d'Alene, a gold and silver producer which has no operations in Australia, also acquired an option on 19.9 per cent of Gasgoyne's equity at the bid price from Mr Phil Crabb, Gasgoyne's chief executive, and his family.

By contrast, SOG's proposed three-way merger would consolidate a number of mining interests in the Southern Cross/Marvel Loch region. Gasgoyne's main asset is a 50 per cent interest in the Yilgarn Star mine, which produced 110,613 oz of gold in the year to end-June. Sons of Gwalia owns the neighbouring Marvel Loch mine, while Burmine has a number of interests in the same area.

Burmine has already snapped up a 9.25 per cent interest in Gasgoyne, and also owns 10 per cent of Orion Resources, Gasgoyne's partner in the Yilgarn Star mine. Yesterday, there was immediate speculation that SOG would want to tidy up the situation further, and ultimately acquire Orion, too. SOG said there had been no discussions.

The terms of the proposed merger are one SOG share for every two Burmine shares held, and one SOG share for every three in Gasgoyne. The Burmine offer is not dependent on the Gasgoyne deal going ahead.

News of the offers prompted sharp movements on the stock exchange: Gasgoyne shares jumped 19 cents to A$2.60, while Burmine was up 64 cents, at A$3.85. SOG was steady at A$8.00.

Further offer for Standard Chartered arm

By Ted Bardacke in Bangkok

Nava Finance and Securities, a leading Thai brokerage house, is making a further bid for the Asian securities arm of Standard Chartered Bank.

The UK bank has been trying to sell the lossmaking Standard Chartered Securities for more than a year, but talks broke down last July when Nava, with its parent company, Thai Military Bank, bid for 51 per cent of the Hong Kong-based Standard Chartered Securities.

Nithipat Capital of Thailand, Prudential-Bache of the US and Goodwill Investment Holdings of Hong Kong have also held inconclusive discussions about acquiring the company.

Any purchase of Standard Chartered Securities would require the consent of senior management at the ailing brokerage, because they would be expected to take a substantial minority stake in the new venture, Nava said.

The triangular nature of the negotiations made them exceptionally difficult.

Nava's relationship with the UK brokerage house W.I. Carr, whereby the Thai broker places orders on the Thai stock exchange for W.I. Carr, would not be affected by any potential venture, Nava officials added.

Matsushita issues five-year plan

Matsushita, the Japanese electronics group, said yesterday that it aimed to raise its overseas production to 30 per cent of the total by April 2000, Reuter reports from Tokyo. At the moment 23 per cent of its production is sited outside Japan.

The group, in its five-year business strategy to fiscal 2000-01, also plans to lift the ratio of overseas sales to total sales from 48 per cent now to 50 per cent, company officials said.

Matsushita also aimed to increase the ratio of electronic component sales to total group sales to 33 per cent in fiscal 2000-01 from the current 25 per cent.

For the fiscal year starting on April 1, the Matsushita group will focus on four business fields - optical discs and disc players, mobile communications equipment, display devices and semiconductors, the officials said.

A spokesman said the company planned to launch digital video disc (DVD) players around June, aiming to expand its DVD and other optical disc-related business to Y5,000bn ($4.73bn) by about 2000.

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The Commission d'Evaluation des Actifs de l'Etat,
pursuant to a mission of the
Belgian State
is organising a procedure in connection with the underwriting, placing and flotation on the Brussels Stock Exchange of 116,809 shares, or 16.62% of the capital of

S.A. DISTRIGAZ N.V.

Distrigaz supplies Belgium with natural gas. This activity is conducted within the framework of the State's energy policy and is monitored by the Control Committee on Electricity and Gas.
Within the European context, the company supplies Luxembourg with natural gas and is actively involved in international transit.

Background

On 24 May 1994, the Belgian State and the companies Ackermans & van Haaren S.A. and Tractebel S.A. signed an agreement whereby Ackermans & van Haaren acquired 100% of Société Nationale d'Investissement (S.N.I.) and Tractebel acquired 50% of the capital of Distrigaz S.A. held by S.N.I. and its subsidiaries. This agreement states that if the flotation of Distrigaz on the Brussels Stock Exchange has not been completed by 31 March 1995, the Société Fédérale d'Investissement (S.F.I.), a public sector holding company, will have a call option on 116,809 Distrigaz shares, or 16.62% of the capital, with possibility to place and list them on the Brussels Stock Exchange. This call option can be exercised until 29 February 1996 at the price of BEF 19,213.362253 per share plus a carrying cost of about BEF 580 per share (based on the option being exercised on 29 February 1996).
In order to assess the desirability of exercising the option, the Commission d'Evaluation des Actifs de l'Etat has given to a consortium formed by S.A. Almanij, S.C.S. Bank Degroof and NM Rothschild & Sons Limited (referred to as the "State Advisory Team") the exclusive mandate to organise the aforementioned procedure.

Procedure and Timing

The procedure is divided into two stages:
- **During the first stage,** a limited number of candidates will be selected to take part in the second stage of the process for the underwriting, placing and flotation of the 116,809 Distrigaz shares on the Brussels Stock Exchange. This selection will be based on proposals which must be received by **no later than 9 February 1996.**
The Commission d'Evaluation des Actifs de l'Etat will inform the candidates of their admission to the second stage by **29 February 1996.**
- **During the second stage,** those candidates selected after the first stage will be asked to submit a firm and definitive offer based on a draft prospectus and a draft underwriting agreement, which will be sent to them as soon as feasible, but on **15 May 1996** at the latest. Offers will have to be submitted within fifteen days after these documents have been sent to candidates and must be such that the flotation of Distrigaz on the Brussels Stock Exchange will be completed by **31 July 1996** at the latest. The winning bid will be the financially most attractive one taking into account underwriting price and fees.
Details of stage 2 will be communicated to the candidates at the appropriate time.

Eligibility Criteria

- This invitation is addressed exclusively to Belgian credit institutions and stock brokerage firms and to credit institutions and investment firms from other EU Member States (or from the European Economic Area) which are entitled to undertake or participate in such transactions in Belgium, or to consortia exclusively composed of such institutions.
- These institutions, or each member of a consortium, as the case may be, must have sufficient financial capability to support their underwriting commitment.
- The lead manager of the consortium must commit to underwrite at least one third of the total.
- These financial institutions or consortia will have to demonstrate, in particular through experience of similar transactions, their ability to place an offer of shares with a value in excess of two billion Belgian francs, as well as a knowledge of the mechanics of flotation on the Brussels Stock Exchange.

Availability of Information for the First Stage

In view of the above-mentioned deadlines, interested parties will be able to consult a set of documents, from 17 January 1996, at the offices of the Bank Degroof, 44 rue de l'Industrie, 1040 Brussels.
An information memorandum will also be made available as soon as possible. Access to the information will be granted upon receipt of a written request indicating that the above-mentioned eligibility criteria are met. In the case of consortia which are in the process of being formed, access to information will be granted to the future lead manager of the consortium. Access to information will require that a confidentiality agreement be signed by the candidates.

Requests for information can be sent to the following:

Frank Donck	**Regnier Haegelsteen**	**Matthew Westerman**
Advisor	Managing Director	Director
Almanij S.A. c/o Investco S.A.	**Bank Degroof S.C.S.**	**NM Rothschild & Sons Ltd.**
Bld. du Régent 54 (bte 2)	Rue de l'Industrie 44	New Court, St Swithin's Lane
1000 Brussels	1040 Brussels	London EC4P 4DU
Tel: 32.2.513.45.20	32.2.287.91.11	44.171.280.50.00
Fax: 32.2.513.97.41	32.2.230.57.95	44.171.280.51.23

Stage 1 proposals

In view of the expiry date of the call option, interested institutions must submit their **proposal by no later than 3 pm (Belgian time) on 9 February 1996, to the State Advisory Team,** c/o Bank Degroof, 44 Rue de l'Industrie, 1040 Brussels, either by registered letter or by receipted courier.

This proposal will have to:

1. specify the conditions of the underwriting, placing and flotation on the Brussels Stock Exchange of all the 116,809 Distrigaz shares (with dividend coupons relating to the financial years ending 31/12/1995 and thereafter);
2. include in particular the following elements:
   - **precise identity** of the candidate or members of the consortium (including the respective shares of each of the consortium members in the underwriting), as well as evidence of their fulfilment of all of the aforementioned eligibility criteria.
   - - **the price** in BEF per share at which the candidate would be willing to underwrite the Distrigaz shares, with specification of clearly identified and quantifiable parameters, the change of which until the effective date of underwriting may give rise to a revision of this price.
     - at the bidder's discretion, **the price** in BEF per share at which the candidate firmly commits to underwrite the Distrigaz shares and the duration of any such commitment;
   - **a description of the proposed procedure** of the placing and flotation on the Brussels Stock Exchange. As the Commission d'Evaluation des Actifs de l'Etat is concerned not to jeopardise the future access of Distrigaz to the capital markets, the procedure will have to be such that:
     - during the placing, individuals and authorized collective investment undertakings will have the opportunity to acquire at least half of the shares offered;
     - the Distrigaz shares acquired by the bidder as a result of the underwriting must be sold in a transparent manner. In this context, the Royal Decree (Arrêté Royal) of 20 July 1994 specifies that, from the date that the Distrigaz shares are listed on the Stock Exchange, no individual or legal entity will be allowed to acquire on the Stock Exchange more than 3% of the voting rights attached to the shares issued by Distrigaz.
   - **the "all-in" fees**, broken down by item, proposed by the candidate covering the underwriting, placing and flotation on the Brussels Stock Exchange as well as all administrative costs (fees for Stock Exchange authorities, printing of shares and prospectuses, cost of advertising).

The Commission d'Evaluation des Actifs de l'Etat will inform the bidders of their admission to the second stage of the process, by 29 February 1996 at the latest.

Amongst the eligible applications, those to be retained for stage 2 will be selected on the basis of:
- the underwriting price and the degree of stability of this price;
- the price, if any, at which the bidder firmly commits to underwrite taking into account the period during which the bidder is prepared to maintain this commitment;
- fees.

The Belgian State has the right at any time to terminate this procedure, to interrupt or adapt it, to decline to instruct the S.F.I. to exercise the call option or not to proceed with the flotation.

Questions and requests for additional information can be addressed to the State Advisory Team.

■ Good Christmas at Kingfisher ■ Above average rise for Tesco

Retailers report sales rises

By Neil Buckley

Both Tesco and Kingfisher, two leading retailers, reported strong sales performances yesterday.

Kingfisher, the retail group that includes Woolworths and reported an encouraging sales increase over Christmas.

Total group sales increased 8.8 per cent in the 10 weeks to January 6, with like-for-like sales (excluding store openings and closures) up 3.9 per cent.

Both Woolworths, the variety store chain where profits fell last year, and Comet, the electrical retailer which slid to a loss, reported strong sales increases. Total sales in Woolworths increased 7.5 per cent, with Comet up 21 per cent.

Superdrug continued to reap the rewards of a change in focus from household goods to health and beauty products, with total sales up 3.2 per cent, or 2.5 per cent like-for-like.

Sir Geoffrey Mulcahy, Kingfisher's chief executive, said Comet would achieve its target of returning to profit for the full year, in spite of its £8.7m interim loss.

Although the performance of the B&Q and Darty chains was disappointing the City welcomed the figures. Kingfisher closed up 9p at 538p.

Darty, the French electrical chain, has been hit both by the increase in French VAT rates and last year's public sector strikes, leading to a 1.8 per cent sales decrease in local currency terms and 3.8 per cent like-for-like decline.

Tesco, the grocery retailer, reported that sales growth was continuing to outstrip the industry average, with a strong Christmas, particularly in the Wm Low stores which it acquired in Scotland in 1994.

For the 20 weeks to December 30 total sales, excluding Wm Low, grew 15.4 per cent, with like-for-like sales up 8.5 per cent.

After inflation of 4 per cent, like-for-like volume growth was 4.5 per cent, slightly down from the 6 per cent reported in the interim results.

For the four weeks to December 30, total sales were up 16.5 per cent, with like-for-like sales up 10 per cent.

In the Wm Low stores, sales grew 20 per cent in the 20 week period, and 16.5 per cent over Christmas, on top of a strong increase the previous year.

Sir Ian MacLaurin, chairman, said there was still considerable scope for sales growth in the Wm Low stores before they matched the performance in the rest of Tesco.

Lydia van der Meer

Sir Geoffrey Mulcahy: businesses moving in right direction

But Tesco's shares fell 7½p to 308p, after an initial rise, over fears of increased competition in petrol retailing following Esso's announcement that it was scrapping free gift promotions in favour of lower petrol prices.

Sir Ian said Tesco's gross margin had fallen "very slightly" as a result of continued strong price competition. But he was unconcerned by the aggressive January promotion from J Sainsbury, which is seeking to boost sales.

UniChem to make £480m bid for Lloyds Chemists

UniChem is today expected to announce an agreed bid for Lloyds Chemists of about £480m ($740m) creating the UK's largest pharmacy chain and the country's biggest drugs wholesaler, writes Peggy Hollinger.

The two groups were last night understood to be finalising details of the offer. If final agreement is reached, the combined group would control some 1,300 of Britain's 10,000 pharmacies, against 1,200 for Boots, the high street retailer, and about 40 per cent of the drugs wholesale market.

The market was last night expecting a cash and share offer of about 400p a share, as well as a cash alternative. It is thought unlikely that UniChem, which had no net debt at the last year end, would have to accompany the offer with a rights issue.

The deal is expected to be closely examined by the regulatory authorities which control the distribution of drugs in the UK. But it is thought that, as AAH and UniChem each already control 30 per cent of the drugs distribution market, a referral for the enlarged company on that basis is unlikely. However, a referral of the industry can not be ruled out.

The market was broadly in favour of an agreed deal. The two businesses are seen to be a good fit, with UniChem stronger in drugs distribution, and Lloyds the bigger retailer. However, some rationalisation was expected, particularly in the distribution business.

A takeover by the highly regarded UniChem would also resolve fears over the management of Lloyds, the shares of which have underperformed the market by almost 20 per cent over the last year. The market has been highly suspicious of Lloyds' acquisitive strategy in building up its retail business.

Lloyds shares jumped 75p to close at 366p yesterday after the group was called on by the Stock Exchange to reveal that it had received an approach.

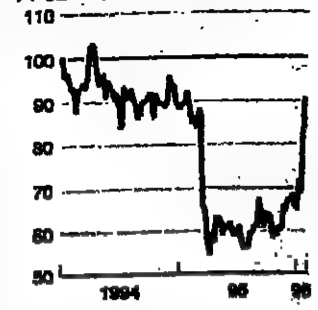
LEX COMMENT

UniChem bid

UniChem's planned bid for Lloyds Chemists spans two industry sectors, both in a phase of consolidation. First, the deal is a response to the takeover of AAH by Gehe. AAH and UniChem have similar shares of UK wholesale pharmaceuticals distribution. Lloyds' wholesale business is smaller, but the acquisition should give Unichem greater critical mass, helping it get a better deal from drugs suppliers. A tie-up with Lloyds would also create the largest group of pharmacies in the country, exceeding even Boots.

Lloyds Chemists

Share price relative to the FT-SE-A All-Share Index



Source: FT Extel

Consolidation in this sector has been advancing at a much slower pace. Individual pharmacists and small chains are finding it increasingly hard to survive, while superstores' efforts to enter the market have pushed the price of pharmacy licences as high as £500,000. Buying in dribs and drabs is a slow route to expansion.

The danger, though, is that UniChem may be overstretching itself. Since the two companies are roughly the same size, the maths of the deal may well rely on some pharmacy disposals to pay off debt. Difficulties in transferring licences, particularly to superstores' out-of-town sites, may make this a cumbersome business.

Still, at 400p a share, representing a multiple of earnings below the market average, the expected cash and shares offer seems conservative enough. This is explained by the market's tendency to undervalue Lloyds because of doubts about its management. But given its poor share price performance, investors may well do better out of the enlarged group.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
								Dividends				
Budgens	28 wks to Nov 12	162.6	(150.2)	4.29	(0.86)	2.1	(0.4)	0.35	Apr 11	0.3	-	1.1
Dudley Jenkins	6 mths to Oct 31	9.1	(7.2)	0.57	(0.51)	3	(2.85)	1.155	Apr 10	1.1	-	3.415
First Leisure	Yr to Oct 31	158.7	(141.8)	40.1	(37.5)	17.64	(16.59)	5.39	Apr 10	4.9	7.72	7.02
Irish Continental §	Yr to Oct 31	116.4	(116.6)	11♥	(9.32♥)	42.7†	(40.2)	3	Mar 29	2.4	4.5	3.6
Nobo	6 mths to Oct 31	23.5	(15.3)	0.86	(1.03)	4.01†	(5.79)	2.2	Mar 27	2.2	-	6.2
Photo-Me Intl	6 mths to Oct 31	104.4	(96.3)	10.1	(10)	8.94	(8.62)	1.5	Apr 9	1.5	-	5
Stanley Leisure	6 mths to Oct 29	164.2	(154)	6.11	(7.64)	7.52	(9.53)	2	Feb 23	2	-	6.15
UK Land	6 mths to Sept 30	1.04	(0.81)	0.59	(0.35)	6.1	(4.5)	-	-	-	-	1

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aberforth Split	6 mths to Dec 31 ★	302.2	(254.5)	1.24	(1.17)	4	(3.78)	2.1☐	Mar 1	2	-	10.1■

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♥After exceptional credit. †On increased capital. §Irish currency. ★Comparatives restated. ☐Second interim making 4.2p to date. ■Includes special of 1.5p.

Body Shop warns after poor Christmas in US

Body Shop International, the cosmetics group, yesterday warned that pre-tax profits for the current year would be below those of 1994-95, writes Christopher Price.

The market appeared unsurprised by the news, the shares falling just 1p to 151p.

The company refused to comment on the plan by Anita and Gordon Roddick, chief executive and chairman respectively, to buy back the company they founded.

However, advisers to the group said the idea is still under active consideration.

Body Shop laid part of the blame on the poor state of the US retail market, particularly over the Christmas period. The group said its US investment programme included refurbishments, product developments and further expansion, which it was confident would restore the business to health.

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A Management and Employee Buy-Out Team
Total consideration £72,000,000
Vendors advised by
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Acquisition of
Westwind Air Bearings Limited
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Cobham plc
for £75,000,000
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Granada has 9.98% of Forte

By David Blackwell and Scheherazade Daneshkhu

Granada kept up the pressure in its hostile bid for Forte yesterday by taking its stake in the hotels group from 9.2 to just under 10 per cent.

The purchase of a further 8.3m shares at 384p follows Tuesday's £336m market raid, raising the TV, leisure and catering group's stake to 9.98 per cent.

Yesterday it emerged that among the institutions selling Forte shares on Tuesday was Hermes, the former Post Office pension fund headed by Mr Alastair Ross Goobey. It sold 3m shares to reduce its stake to 17.5m shares.

Mercury Asset Management, which last week purchased 13m Forte shares at 360p to 362p, sold 9m on Tuesday, taking its holding down to 14.63. It has a similar stake in Granada and could play a pivotal role in the outcome.

Granada's stake is close to the maximum permitted under the Takeover Code.

Granada, which described yesterday's purchases as a "sweeping up" operation, sent what will probably be its final document to Forte shareholders. Mr Gerry Robinson, chief executive, said it laid out the alternatives for investors.

Forte attacked the figures in the document as "simply wrong". Sir Rocco Forte, chairman and chief executive, said: "No more fiction, some facts please."

DIGEST

Fairey in $75m US expansion

Fairey Group, the engineering and industrial electronics company, is buying Particle Measuring Systems, the privately-owned US contamination equipment manufacturer, for $75m. The acquisition – Fairey's 10th in the electronics sector in recent years – will make the UK group one of the world's leading producers of monitoring and detection systems for the semiconductor industry.

The consideration will be satisfied by $67.5m (£44m) cash of which £37m is being raised in a vendor placing of 7m shares at 525p and the balance in shares.

Mr John Poulter, Fairey chief executive, predicted Fairey would lift its final dividend to at least 5.45p (4.75p) following an encouraging second half performance. That would make a total of 8p (7p) for the year. *Tim Burt*

London Electricity criticised

London Electricity, the regional electricity company, was accused yesterday of breaching the spirit of the Greenbury report on executive pay by a shareholder action group.

Mr Nick Stevens, secretary of the UK Shareholders Association, which represents private shareholders, claimed that the company's planned 7-into-6 share consolidation favoured the interests of option holders over shareholders. He said the consolidation, which follows a 100p special dividend, had been calculated so that option holders benefited more.

Sir Bob Reid, chairman of London Electricity, said the consolidation had been introduced because the special dividend had resulted in a fall in the share price, which disadvantaged option holders. *Geoff Dyer*

British Gas' Italian buy

British Gas has bought a large amount of exploration acreage in Italy from Fiat Rimi, a member of the Fiat group, for about £20m ($31m). The purchase included proven gas reserves of 10m barrels of oil equivalent. But British Gas' exploration and production division said the 50 blocks in the southern Appennines included "high potential oil exploration acreage."

British Gas has nine other exploration licences in Italy, but it has yet to make a big discovery. *Robert Corzine*

Woodchester Portuguese buy

Woodchester Investments, via its Portuguese subsidiary Woodchester Crédit Lyonnais Holding Portugal SGPS, has acquired Cargeste-Sociedade Financeira Para Aquisicoes a Credito, from the Entreposto Group for I£7.8m ($12.3m) cash.

Cargeste was established by Entreposto in 1989 to provide point of sale financing for Nissan and Subaru dealerships in Portugal. Agreement has also been reached for Woodchester Crédit to acquire Carloga, a related motor finance company owned by Marubeni and Entreposto.

Sema makes Spanish purchase

Sema Group, the Anglo French computer services group, has acquired Goya Services Telematicos, Spain's leading Internet access and services provider. The deal is thought to be the first time a computer services group has acquired an Internet access provider. *Paul Taylor*

Slowing recovery limits First Leisure's advance

By Christopher Price

First Leisure blamed a slowing of recovery in consumer spending as the increase in full year pre-tax profits was restricted to 7 per cent.

The rise from £37.5m to £40.1m was at the lower end of analysts' expectations.

The group said trading had suffered at its bingo operations due to the impact of National Lottery scratchcards, while both bingo and its resorts had been adversely affected by the hot summer.

The figures included a healthy contribution from the dancing division, where profits increased 17 per cent on sales 14 per cent higher. The business benefited from the refurbishment of several discotheques, while the introduction of new theme bars had also improved takings.

Profits from the sports division rose 17 per cent on sales 15 per cent ahead New features among the 26 ten-pin bowling centres included amusement machines and food arrangements, lifting trading.

Ashley Ashwood

Michael Grade, right, chairman, Graham Coles, finance director

Mr John Conlan, chief executive, said the "old-style" bingo halls had been the worst hit by the National Lottery. New concept "Riva" bingo centres had shown big improvements in both attendance and expenditure. Twenty new centres would be opened during the next 15 months.

While he remained cautious on the economic outlook, he said the company was making investments in health clubs. These were "significantly under-exploited in the UK".

"You will see a different First Leisure in a year's time," Mr Conlan predicted.

هكذا من الأصل

COMMODITIES AND AGRICULTURE

Broker forecasts reduced cocoa supply deficit

By Richard Mooney

A fifth consecutive cocoa supply/demand deficit is likely in the 1995-96 season, according to London-based broker E.D. & F. Man. But it is projecting a much reduced shortfall of 65,000 tonnes, down from 219,000 tonnes in 1994-95.

In its initial estimate for the current season Man forecasts net world production at 2.526m tonnes, up from 2.298m last season. In the Ivory Coast, the biggest producer, 1995-96 production is forecast to reach a record 960,000 tonnes, up from 854,000.

Opening cocoa stocks for the 1995-96 season amounted to 1.011m, Man says. It forecasts closing stocks at 946,000 tonnes and indicates a stocks/consumption ratio of 36.5 per cent.

Total bean grindings are projected to rise by 3 per cent to a record 2.592m tonnes.

Man says that chocolate consumption growth in the US is likely be curbed by price increases announced late last year. It puts the 1995-96 US grindings total at 362,000 tonnes, up 10,000 tonnes from last season. The Dutch figure is estimated at 363,000 tonnes, up 13,000.

Consumption is continuing to grow in eastern Europe, it says, "as the positive impact of economic reforms are felt".

World sugar output projection raised

Global 1995-96 sugar production should reach 121.37m tonnes, raw value, up from 116.20m tonnes in 1994-95, according to German statistician F.O. Licht, reports Reuters.

Beet production will account for 36.26m tonnes and cane for 85.10m, Licht says in its second forecast of world sugar output for 1995-96.

Licht's first forecast, published in September, put world production at 121.23m tonnes.

Regarding beet production, the European Union is expected to turn out 16.91m tonnes in 1995-96, compared with a previous estimate of 16.8m tonnes, Licht says. The EU produced 16.52m tonnes in 1994-95.

Eastern Europe, where the largest producers are Ukraine, Russia and Poland, should produce 9.55m tonnes, just over 1m more than last year. "However, this merely reflects an improvement in weather conditions as a structural crisis still exists in these countries, especially in the former Soviet Union," Licht says.

It adds that outside Europe, beet sugar production is estimated at 7.9m tonnes, with China and the US being the major producers.

Asian sugar production, led by India, will continue to dominate the cane sector in 1995-96, account for 36.92m tonnes, or 43 per cent of the total, Licht estimates. India is seen producing 16.65m tonnes, up from 15.85m in 1994-95. Production in Thailand is continuing to forge ahead, Licht says, and despite a slow start to the season is forecast at 6.05m tonnes, compared with 5.57m in 1994-95.

According to the Licht report, few expect Cuba to produce the 4.5m tonnes of cane sugar officially forecast but the country's output should still "comfortably exceed" last season's 3.4, tonnes. The report puts Cuban production at 4m tonnes.

Dairying fares best as NZ farming feels the pinch

Milk producers are enjoying a record season, but beef and sheep profits are down, writes Terry Hall

New Zealand's beef and sheep farmers have endured a tough, disappointing 12 months, and farm economists have warned them to be ready for another fall in incomes over the coming year.

Things look much brighter, however, for dairy farmers, who are having a record season, both in production and earnings, and are expected to earn substantially more over the next few years. The latest New Zealand Dairy Board study, on industry integration, suggests that each dairy farmer could earn an extra NZ$20,000 (US$13,000) a year.

In the year to June 30 1996, the dairy industry has forecast it will earn NZ$4bn – NZ$500m more than in the corresponding period of 1994-95. Mr Neville Martin of the Dairy Board says this is due to a sharp rise in returns in recent months, and prices are expected to stay around the higher levels over the next calendar year.

Deer farming provides the other bright spot in the New Zealand agricultural sector – venison returns, at around NZ$7 a kilogram, are at present about $NZ2 higher than at this time last year.

Wool prices have been remarkably disappointing. It had been hoped that after the dull patch of the early 1990s they would stage a worthwhile recovery in line with the general commodity price upturn.

Woolgrowers had hoped for a worthwhile price recovery after the dull patch of the early 1990s

Prices did rise by a third last year, but retreated between September and early December because of unexpectedly poor demand from China and Europe. There was a minor recovery immediately before Christmas, however, and there are some hopes that prices could pick up further over the coming months.

Fine wool has borne the brunt of the price fall at recent auctions. Superfine prices fell by 50 per cent – to $11 a kilogram. Crossbred wool, the main New Zealand type, used mainly in carpets, has fared better, however, with prices up slightly on this time last year. There is concern about the ability of prices to hold up in the face of low overseas demand, as substantial quantities of wool are due to hit the market in the main selling season up to February.

Nevertheless, there is one bright spot in the wool sector – on December 20 the Wool Board sold the last of its once massive, 650,000-bales stockpile. This, coupled with falling numbers of sheep, is expected to lead to supply shortages over the coming months.

Beef farmers had a tough year in 1995, and 1996 does not look like being much better. Beef returns are dominated by the US – the world's biggest producer and exporter. American herd numbers are at a seven-year peak and the international trade is waiting for low prices to persuade farmers to reduce numbers. However, this is not now expected to happen for another 18 months to two years.

Beef prices fell by 20 per cent in the 1994-95 year to June, and the Meat and Wool Board's Economic Service is predicting that they will fall by a further 10 to 15 per cent in the current year.

There are some consolations, however. New Zealand has been selling substantially greater quantities of beef to Europe. A poor international grain harvest – which will lead to higher prices for grain in New Zealand over the coming months – could also force up the cost of feeding poultry and pigs. Mr Rob Davison, the economic service's chief economist says this could force producers to demand more for their pork and chickens, which may encourage people to switch back to beef.

Exporters are predicting a price rise of $NZ4 to about NZ$36 for lambs over the coming months, helped by growing demand and reports of shortages in Europe. They also say there is more enquiry for mutton from "good" markets – which means they should not be forced to accept poor prices from third world markets just to sell get the mutton off their hands, as has happened in the past.

Lamb prices averaged $32 for all grades in the season to June, and the Meat and Wool Board's economic service is forecasting a 12.5 per cent increase over the next six months or so.

However, a tough winter and an extremely wet autumn in the South Island cut lamb numbers severely. This is expected to lead to an 8 per cent drop in export lamb numbers this year.

Mr Davidson says says the outlook for beef and sheep farmers is unlikely to change much this year, with those most dependent on cattle coming under the greatest financial pressure.

The average beef and sheep farmer will earn around $NZ35,900 this calendar year – before tax and debt reduction. Mr Davison says, however, that this figure could rise if the wool price improved.

There are reports that squeezed returns from farming have led to a drop in prices for farms in recent months. But this follows a period of steady rises – in spite of tough farming conditions. The price of grazing land rose by 26 per cent in the year to December 1993, and by 23 per cent in the following year. The latest Valuation Department figures show that it rose by a more modest 9 per cent in the first half of last year – although even then prices could have been held up by forestry companies buying land for radiata pine planting.

Prices rises for dairy land – despite the brighter outlook – seem to be slowing, possibly because of the impact of higher interest rates biting into profitability. Prices for dairy land rose 21 per cent in 1994 – and by just 7 per cent in the six months to June, the latest figures available.

Banana growers urged to resist US 'manoeuvre'

By Canute James in Kingston

Banana farmers in the Windward islands are being advised by their governments not to be tempted to sell their fruit at higher prices to a US company, as this could result in damage to their preferential access market to the European market.

The warning follows a suggestion by a St Lucia farmers' union that farmers sell their bananas to Chiquita Brands International of the US, as the company was offering better prices than the region's marketing company.

Mr Ira d'Auvergne, the St Lucia agriculture minister, said that the island's government was aware of "a manoeuvre" by the US company to buy bananas directly from the Windward Islands farmers.

Chiquita Brands has not discussed its interest with the farmers' associations or with the Windward Islands Banana Development Company (Wibdeco), which markets the region's fruit, and "clearly therefore the move by Chiquita is an attempt to divide growers and undermine and eventually destroy the industry," Mr d'Auvergne said.

The minister said the US company was protesting about the European Union's banana import regime, which allowed preferential entry to the EU for Windward islands banana, and price was not to only factor that farmers should consider. Current marketing arrangements gave farmers access to credit for chemicals and shipping.

The reported interest of Chiquita Brands in buying Windwards Islands fruit follows the creation of a joint venture between Wibdeco and Fyffes to purchase the banana business of Geest, which has been marketing the islands' fruit.

Strikes cut Jamaican bauxite production

By Canute James

Strikes in the Jamaica bauxite (aluminium ore) mining and refining industry last year cut ore production to 10.9m tonnes, 6.2 per cent less than a year earlier, the Jamaica Bauxite Institute reports. Alumina (aluminium oxide) production was down 6.6 per cent at 3m tonnes.

The strikes, over new wage contracts, cut alumina production by 215,000 tonnes, costing the industry about US$50m, the institute said.

Despite the loss, Jamaica's bauxite industry, the world's third largest after Australia and Guinea, increased its foreign earnings by 15 per cent because of better world market prices for primary aluminium, the institute said.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1607-8	1598-99
Previous	1583.5-4.5	1583-3.5
High/low		1612/1585
AM Official	1605-6	1598-99
Kerb close		1584-5
Open int.	223,948	
Total daily turnover	52,024	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1390-400	1430-35
Previous	1390-400	1430-35
High/low		1440/1430
AM Official	1404-5	1435-45
Kerb close		1420-50
Open int.	[illegible]	
Total daily turnover	2,036	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	716-7	708-9
Previous	701-2	695-96
High/low	716/714	709/699
AM Official	715-6	707-8
Kerb close		708-708
Open int.	31,573	
Total daily turnover	9,912	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7810-20	7910-13
Previous	7525-35	7635-40
High/low		7950/7690
AM Official	7795-805	7895-900
Kerb close		7885-95
Open int.	40,672	
Total daily turnover	13,234	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6265-75	6300-10
Previous	6225-35	6260-70
High/low	6285	6320/6280
AM Official	6280-85	6315-20
Kerb close		6280-85
Open int.	15,058	
Total daily turnover	4,747	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1028-29	1050-51
Previous	1014-15	1036-37
High/low	1026	1054/1041
AM Official	1026-27	1049-50
Kerb close		1053-54
Open int.	73,018	
Total daily turnover	15,094	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2591-96	2480-81
Previous	2534-39	2446-47
High/low	2605/2600	2490/2470
AM Official	2600-601	2488-89
Kerb close		2476-77
Open int	170,683	
Total daily turnover	66,437	

■ LME AM Official £/$ rate: 1.5342

LME Closing £/$ rate: 1.5275

■ HIGH GRADE COPPER (COMEX)

PRECIOUS METALS

■ LONDON BULLION MARKET

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

FUTURES DATA

All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

■ CRB Futures (Base: 1967=100)

■ GSCI Spot (Base: 1970=100)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

■ LIVE HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lbs)

LONDON TRADED OPTIONS

■ ALUMINIUM (99.7%) LME

■ COPPER (Grade A) LME

■ COFFEE LCE

■ COCOA LCE

■ BRENT CRUDE IPE

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

■ OTHER

JOTTER PAD

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CROSSWORD

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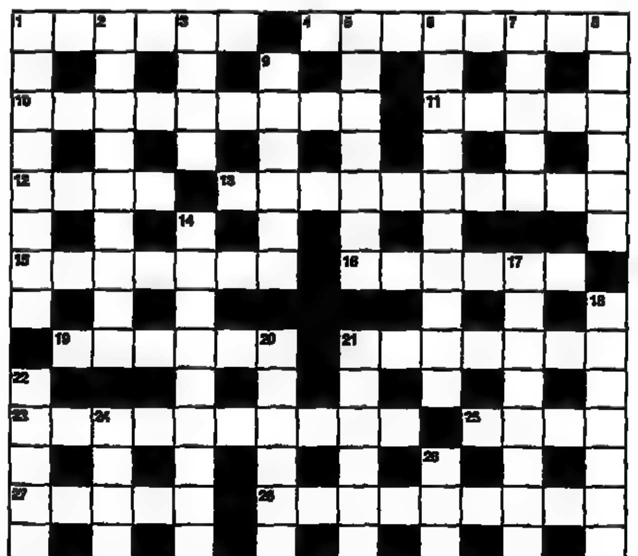


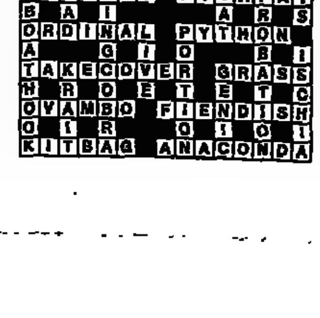
ACROSS

1 See 6 down
4 Peculiar to southern ocean, it's said (8)
10 Washer works on medium programme (4,5)
11 Cycled round to the circus (5)
12 Nobleman in real trouble (4)
13 10 festivals are outside the limit (10)
15 Extremely dreary, horrid 10 (7)
16 Most fascinating dock is in France (6)
19 Talk about foreign currency (6)
21 Second example of bravery having lost one the Whip (7)
23 Being hours away from 10 (10)
25 The number for capturing upbeat start (4)
27 Everyone returns without let (5)
28 10 flowers die off (9)
29 The Spanish party took another road to 10 (6)
30 Boy returns notes on 10 (10)

DOWN

1 Stops working as America pays money out (8)
2 Find fresh position for the back boiler (9)
3 Goes to work on producing examples of self-confidence (4)
5 Flexible credit card? (7)
6, 1 across 10 for painter outside "The People's Oak"? (10,5)
7 Sweet cheat (5)
8 Fastidious but comfortable around the house (6)
9 Some one has to go for the present (6)
14 Take advantage of a burst of rain to have a bath? (3,1,6)
17 High point in Indian fashion for a student of dress (9)
18 Brave fellow having no listeners (8)
20 Good French king went up to resting place, covered with swellings (7)
21 Lecture on "The monetary system: an all round issue" (6)
22 Annie's mad – completely bonkers (6)
24 Took a lot of time even though I had shown the way (5)
26 A British Society came up with a flier (4)

Solution 8,969



INTERNATIONAL CAPITAL MARKETS

European sector slips but rally expected to continue

By Martin Brice and Richard Lapper in London and Lisa Bransten in New York

European government bond markets slipped in the face of profit-taking yesterday, but analysts expect the recent rally to continue.

■ A cut of 8 basis points in the securities repurchase rate provided an early fillip for German bonds, but a bout of profit-taking hit prices later.

"People decided to take profits when they got what they were waiting for," explained Mr Tim Knowles of Fleming Investment Management.

"The smarter money has taken an opportunity to lock in profits," said Mr David Brown, chief European economist at Bear Stearns International.

Activity in the Liffe bund pits was hectic, with more than 240,137 contracts exchanged – the highest figure for some weeks.

However, dealers said proprietary traders and locals had dominated proceedings, with relatively little buying or selling activity by institutions.

Following the repo rate cut, which now stands at 3.65 per cent, Mr Brown said there is a "50:50 chance" of a discount rate cut – from the current level of 3 per cent – by the Bundesbank at its council meeting today.

On Liffe the 10-year future reached a high of 101.23, before falling back to settle at 100.69, down 0.27. In the cash market the 10-year spread over Treasuries widened by 12 basis points to 16 points.

■ French government bonds outperformed bunds on hopes of a cut in the intervention rate after today's Bank of France council meeting, although on Matif the March 10-year future slipped 0.10 to 122.78.

The yield curve steepened, with the yield on two-year paper falling 5 basis points to 4.51 per cent, and that on 10-year paper by 3 points to 6.32 per cent. March Pibor closed at 95.42, up 0.07. The spread over Germany on 10-year bonds tightened from 55 basis points to 50 points.

Mr Ken Wattret of HSBC Markets said: "The currency has held up well and that could open the way for the Bank of France to cut." He thought rates might be cut by 15–25 basis points today.

■ UK government bonds were largely unmoved by earnings statistics suggesting economic growth is slowing and there is little inflationary pressure. On Liffe the March long gilt future closed at 111 14/32, down 1/32. The 10-year yield spread over Germany moved in from 163 basis points to 159.

GOVERNMENT BONDS

The PSBR was £1.04bn in December while the jobless total fell 7,900 in the same period.

Mr Simon Briscoe, an economist at Nikko, said: "Today's numbers were a touch better than expected. The weak inflation number and PSBR are quite encouraging."

He said the announcement by Shell that it is cutting petrol prices will reduce the retail price index figure for February, which will be published in March, by 0.2 per cent.

■ Spanish government bonds underperformed bunds, with the 10-year spread moving from 347 basis points to 351 points while Italian bonds outperformed bunds, with the spread tightening from 455 to 449 basis points.

■ Longer-term US Treasury prices added to Tuesday's gains early yesterday after the Federal Reserve's "Beige Book" indicated that prices were generally stable and that there was weakness in the automotive and retail sectors.

Near midday, the benchmark 30-year Treasury was 3/32 higher at 111 9/32 to yield 6.034 per cent. At the short end of the maturity spectrum, however, the two-year note slipped 1/32 to 100 1/32, yielding 5.061 per cent.

Bonds were mostly flat before the noon release of the Beige Book, which was prepared in advance of the January 30–31 meeting of the Federal Reserve's Open Market Committee.

According to initial reports, the Federal Reserve Bank of Atlanta, which prepared the report, found "uneven" manufacturing growth, weakness in car sales and retail sales below expectations. Also, prices were said to be "generally remaining stable".

Price stability and a slowing economy benefit long-term Treasuries by reducing the risk that inflation will erode their value.

The benign inflation outlook led to a flattening of the yield curve between two-year and 30-year bonds by 4 basis points to 97 basis points. A flattening curve is generally seen as an indication that investors see slowing economic growth.

Yesterday also brought a wave of official economic data released as the government tried to catch up with figures not released during the partial government shut-down that ended last week.

News that the leading economic indicators posted two months of decline in October and November and that the trade deficit narrowed to $12.4bn in October had little effect on the market because the figures were so old.

Eastern Europe fund from Mercury

By Kevin Done, East Europe Correspondent

Mercury Asset Management, Europe's largest independent fund manager, has launched its first dedicated fund for eastern Europe.

The group said it expected "a period of sustained strong growth" in the region as the economies emerged from recession and the process of reform continued to take hold.

"We believe there are some outstanding returns to be made in eastern Europe," said Mr Jürgen Kirsch, co-manager of the fund. "Whilst there are risks involved in these relatively immature markets, these are outweighed by the attractions," he added.

Following almost two years of decline the major eastern European stock markets were among the cheapest of the world's emerging markets, said Mr Kirsch.

The Eastern European Fund will be DM-denominated and will be a sub fund of the group's $1.2bn Luxembourg-based umbrella fund, Mercury Selected Trust.

It will invest primarily in quoted equities of central and eastern European companies including those in the former Soviet Union.

Initially, the main focus will be on companies in Poland, the Czech Republic, Hungary and Slovakia, but the fund may also include companies from developed markets, in particular in western Europe, which have significant business operations in the region.

Mercury hopes to have raised DM30m to DM40m for the open-ended fund by June.

It is aiming to allocate around 40 per cent of the funds's assets to Poland, 15 per cent each to Hungary and the Czech Republic and 10 per cent to Slovakia.

Deutsche Telekom to join DAX-30

By Antonia Sharpe

Deutsche Telekom, the German telephone company set to be privatised in the autumn, will be included in the DAX-30 share index the day after its flotation.

A German stock exchange official declined to comment on which company would be replaced, but said market capitalisation and exchange turnover would be taken into account.

Information about the company being replaced is sensitive because funds tracking the index will sell its shares to make way for Telekom. Dealers said likely candidates were Metallgesellschaft, the industrial and trading group, and Continental, the tyre company.

Last year's IPOs – Adidas, Merck Schwarz Pharma and SGL Carbon – will replace Asko, Barmag, Felten & Guilleaume and Horten in the DAX-100 from March 18.

Heavy issuance in Italian lire led by unusual deal for EIB

By Conner Middelmann

The eurobond market had another active day, with especially heavy issuance in the lira sector and several self-led bank offerings surfacing.

The European Investment Bank launched the largest and most unusual lira deal of the day, L550bn of 10-year zero-coupon bonds.

According to lead manager Deutsche Morgan Grenfell, the deal not only offers cost-effective funding to the EIB but is also "the ideal stock for Italian retail investors because of the tax benefits it entails".

EIB bonds are exempt from Italian inheritance tax and, unlike some jurisdictions, investors in Italy are not taxed on implied income from zero-coupon bonds but only on capital gains, a syndicate official said.

In addition, the leverage on the EIB's bonds, resulting from their deeply discounted issue price, offers bullish investors an attractive opportunity to benefit from a further decline in Italian yields.

"The bonds will give leverage to people willing to bet on a very strong [Italian government bond] market," said a dealer at another bank. With an issue price of 39.56 per cent, the bonds are about 3.5 times geared.

INTERNATIONAL BONDS

IMI Bank launched a self-led issue of L300bn of 9.5 per cent, three-year bonds. "There is still good demand for short-dated lira paper among retail investors in Italy and the Benelux," said a syndicate official.

Lira bonds still offer high yields compared with most other European markets; the currency has been performing quite well lately and interest rates are expected to be cut in the coming months, which is driving investor demand for lira bonds, a dealer said.

A L300bn offering of 9.5 per cent four-year bonds for Abbey National Treasury Services was a bit slower off the block, coming on top of heavy recent supply of short-dated paper: the IMI deal and Tuesday's L200bn of three-year bonds for Bank of Austria.

"Abbey National has been to the lira market a bit too often – I think investors are getting a bit bored with it," said one dealer.

In the supply-starved floating-rate note sector, a $300m offering for and by Goldman Sachs got a warm welcome, thanks to its generous pricing. At the fixed re-offer price, it yielded 37.5 basis points over three-month Libor.

And in the D-Mark sector, Deutsche Finance, the funding arm of Deutsche Bank, locked in low long-term funding rates by issuing DM1bn of eight-year bonds fungible with a DM1.5bn issue launched two years ago.

● Moody's Investors Service has assigned a long-term rating of Aaa to several public sector-secured bonds (öffentliche Pfandbriefe) and a rating of Aa1 to mortgage bonds (Hypothekenpfandbriefe) issued by DePfa Bank, the German public-sector lending institution. The rating affects some $18.7bn of debt securities. It is the first time Moody's has rated German Pfandbriefe, which are being marketed increasingly to non-German institutional investors.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Goldman Sachs Group(a)‡	300	(a1)	99.90R	Feb.2001	0.30R	-	Goldman Sachs Intl.
D-MARKS							
Deutsche Finance Neths.(b)	1bn	5.75	101.94	Feb.2004	2.375	-	Deutsche Morgan Grenfell
Kommunkredit Invest	225	5.00	102.40	Feb.2001	1.75	-	DGZ
SWISS FRANCS							
SBC Jersey Branch(c,s)	150.5	2.00	100.00	Aug.2002	undisclsd.	-	SBC Warburg
Daiwabo Info. System(d)§+	70	0.375#	100.00	Mar.2000	1.625	-	Nomura Bank (Switz.)
STERLING							
GHOB(e)	50	12.625	137.236	Mar.2015	none	+70(8¾%-17)	NatWest Capital Markets
GUILDERS							
GECC(s)	200	2.50	91.00R	Dec.2000	0.25R	-6(8¼%-00)	ABN Amro Hoare Govett
LUXEMBOURG FRANCS							
Bacob Overseas	2bn	(f)	102.25	Mar.2003	1.875	-	Bacob Bank Luxembourg
ITALIAN LIRE							
European Investment Bank	550bn	zero	39.564	Feb.2006	0.60	-	Deutsche Morgan Grenfell
Abbey Natl.Treasury Services	300bn	9.40	101.46	Feb.2000	1.625	-	HSBC Markets
IMI Bank Intl.(Cayman Is.)	300bn	9.50	101.00	Feb.1999	1.375	-	IMI Bank Luxembourg
AUSTRALIAN DOLLARS							
Commonwealth Bk. of Australia	100	7.75	101.265	Mar.2001	2.00	-	CBA
ECU							
Commerzbank O'seas Finance	100	[illegible]	101.779	Feb.2005	2.00	-	Kredietbank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. +Unlisted. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable on coupon dates from Feb.98 at par. a1) 3-mth Libor +35bp. b) Fungible with DM1.5bn. No accrued. c) Denom: SFr5,000 +10 2-yr wrts. 70 wrts entitle holder to SFr1 per Nikkei 225 index point over exercise price. Fixing: Friday. d) Fixing: 22/1/96. Callable on 30/9/98 at 102½% falling ½%/sa. Callable, subject to 150% hurdle, from 30/9/96. Puttable on 30/9/98 at 102½%. Revision of conv price effective 28/4/97 & 27/4/98. e) Collateral: Hydro-Quebec, 230m, 12¾%, 2015. Guarantor: AMBAC. Plus 309 days accrued. f) 5% to 5/3/99 and 7% thereafter. g) 6% to 28/2/00, then 7% to 28/2/03 and 8% thereafter. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	112.3900	+0.660	8.17	8.19	8.18
Austria		6.500	11/05	102.3300	-0.090	6.17	6.26	6.54
Belgium		6.500	03/05	100.6300	-0.240	6.40	6.53	6.73
Canada *		8.750	12/05	111.5600	+0.120	7.10	7.21	7.16
Denmark		8.000	03/06	107.6400	+0.100	6.92	7.08	7.32
France	BTAN	7.750	04/00	109.1250	+0.250	5.29	5.64	6.24
	OAT	7.750	10/05	110.1300	+0.100	6.33	6.56	6.87
Germany Bund		6.000	01/06	101.0600	-0.270	5.86	5.95	6.05
Ireland		8.000	08/06	105.0000	+0.060	7.29	7.44	7.45
Italy		10.500	09/05	102.6700	+0.270	10.06†	10.31	11.16
Japan	No 129	6.400	03/00	118.4290	+0.240	1.68	1.70	1.40
	No 174	4.600	09/04	111.6840	+0.530	2.91	2.98	2.71
Netherlands		6.000	01/06	101.2600	-0.300	5.83	5.94	6.09
Portugal		11.875	02/05	115.7000	+0.450	9.24	9.61	10.24
Spain		10.150	01/06	104.6900	-0.480	9.38	9.51	10.15
Sweden		6.000	02/05	86.8280	-0.110	8.11	8.31	8.58
UK Gilts		8.000	12/00	105-14	-	6.67	6.90	6.84
		8.500	12/05	108-05	-3/32	7.32	7.50	7.47
		9.000	10/08	112-13	-3/32	7.47	7.64	7.64
US Treasury *		5.875	11/05	101-28	+15/32	5.62	5.74	5.70
		6.875	08/25	111-10	+10/32	6.05	6.11	6.02
ECU (French Govt)		7.500	04/05	105.6000	-	6.66	6.81	7.09

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.23	Two year	5.00
Prime rate	8½	Two month	5.13	Three year	5.17
Broker loan rate	7¼	Three month	5.15	Five year	5.35
Fed.funds	[illegible]	Six month	5.05	10-year	5.62
Fed.funds at intervention	-	One year	5.08	30-year	6.05

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	122.82	122.88	+0.20	122.90	122.36	218,153	120,496
Jun	123.28	123.36	+0.22	123.38	122.88	1,471	9,162
Sep	122.06	122.16	+0.22	122.08	121.80	78	1,845

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
119	-	3.90	-	0.01	0.13	0.38
120	-	2.79	-	-	0.28	0.54
121	-	2.10	-	0.03	0.52	-
122	0.94	1.34	2.06	0.09	0.91	1.06
123	0.25	0.78	1.64	0.40	-	1.41

Est. vol. total, Calls 66,466 Puts 28,541 . Previous day's open int., Calls 118,626 Puts 148,359.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101.19	100.69	-0.27	101.23	100.60	240137	228075
Jun	100.45	100.00	-0.27	100.52	99.99	3168	4738

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
10050	0.40	0.77	0.67	1.05	0.21	0.58	1.17	1.56
10100	0.16	0.52	0.48	0.84	0.47	0.83	1.48	1.84
10150	0.06	0.33	0.33	0.66	0.87	1.14	1.83	2.15

Est. vol. total, Calls 39234 Puts 21112. Previous day's open int., Calls 211482 Puts 188279

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	111.71	111.44	+0.02	112.15	111.31	60600	62025
Jun	111.35	111.02	-0.04	111.40	111.07	672	1726

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11100	1.54	2.43	1.10	2.41
11150	1.27	2.19	1.33	2.67
11200	1.05	1.96	1.59	2.94

Est. vol. total, Calls 4263 Puts 2534. Previous day's open int., Calls 61520 Puts 48727

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	98.35	97.83	-0.50	98.40	97.44	107,036	47,428

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	112-02	111-26	-0-03	112-06	111-12	96351	144876
Jun	111-07	111-06	-0-03	111-07	111-07	100	481

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
111	1-00	1-35	1-35	2-08	0-12	0-45	1-25	1-58
112	0-24	0-61	1-05	1-39	0-36	1-00	1-57	2-27
113	0-06	0-35	0-47	1-14	1-18	1-47	2-35	3-02

Est. vol. total, Calls 4742 Puts 4856. Previous day's open int., Calls 28868 Puts 29622

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	92.32	92.26	+0.02	92.40	91.96	1,789	8,366

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	120-05	120-16	+0-15	120-21	120-05	302,149	350,047
Jun	120-00	120-03	+0-16	120-06	119-23	1,850	18,906
Sep	119-12	119-18	+0-15	119-19	119-10	476	5,579

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	120.02	-	-	120.24	119.95	4751	0
Jun	118.58	-	-	118.72	118.52	699	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Jan 17	Day's change %	Tue Jan 16	Accrued interest	xd adj. ytd		Low coupon yield Jan 17	Jan 16	Yr. ago	Medium coupon yield Jan 17	Jan 16	Yr ago	High coupon yield Jan 17	Jan 16	Yr. ago
1 Up to 5 years (22)	123.73	-	123.72	2.41	0.12	5 yrs	6.79	6.78	8.66	6.81	6.81	8.67	6.88	6.89	8.58
2 5-15 years (21)	151.96	+0.01	151.96	2.43	0.00	15 yrs	7.56	7.55	8.54	7.59	7.58	8.67	7.71	7.69	8.90
3 Over 15 years (8)	166.43	-0.10	166.56	2.17	1.02	20 yrs	7.66	7.65	8.61	7.69	7.69	8.67	7.77	7.76	8.63
4 Irredeemables (6)	193.40	+0.09	193.22	1.91	0.00	Irred.†	7.80	7.81	8.58						
5 All stocks (57)	146.27	-0.01	146.28	2.42	0.21										

Index-linked							Inflation 5% Jan 17	Jan 16	Yr. ago	Inflation 10% Jan 17	Jan 16	Yr. ago
6 Up to 5 years (1)	197.40	-0.02	197.43	2.01	0.00	Up to 5 yrs	2.45	2.44	4.08	1.33	1.31	2.72
7 Over 5 years (11)	189.20	+0.09	189.03	1.02	0.00	Over 5 yrs	3.53	3.53	3.90	3.36	3.35	3.70
8 All stocks (12)	189.25	+0.09	189.08	1.04	0.00							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 17	Jan 16	Jan 15	Jan 12	Jan 11	Yr ago	High*	Low*
Govt. Secs. (UK)	95.97	95.98	95.60	95.46	95.33	90.91	96.22	90.22
Fixed Interest	114.87	114.54	114.22	114.14	114.08	109.35	115.04	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 16	Jan 15	Jan 12	Jan 11	Jan 10
Gilt Edged bargains	94.5	81.2	89.5	91.8	84.8
5-day average	88.4	86.2	83.7	82.6	83.1

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
15¼pc 1996‡‡		14.86	6.25	[illegible]	-	109 13/32	102⅝
Exch 13¼pc 1996‡‡		12.96	6.26	102¼	-	107 [illegible]	102¼
Conversion 10pc 1996		9.70	6.08	103 1/32	-	104 [illegible]	103 [illegible]
Treas 13¼pc 1997‡‡		12.39	6.05	106 [illegible]xd	-	109 [illegible]	106 [illegible]
Exch 10½pc 1997		10.04	6.08	104 [illegible]	-	105 [illegible]	104 [illegible]
Treas Cnv 7pc 1997‡‡		6.91	6.10	101¼	-1/16	101 [illegible]	97 [illegible]
Treas 8¾pc 1997‡‡		8.42	6.14	103 [illegible]	-1/16	104 [illegible]	100 [illegible]
Exch 15pc 1997		13.10	6.19	114 [illegible]	[illegible]	117 [illegible]	114 [illegible]
[illegible]							
Treas 8 ½pc 2005‡‡		7.86	7.51	108 [illegible]			
7½pc 2006‡‡		7.41	7.32	101 [illegible]			
7¾pc 2006‡‡		7.54	7.37	102 [illegible]			
8pc 2002-6‡‡		7.70	7.46	103 [illegible]			
Treas 11¾pc 2003-7		9.44	7.22	124 [illegible]			
Treas 8½pc 2007 ‡‡		7.85	7.41	108 [illegible]			
13½pc 2004-8		9.86	7.28	137 [illegible]			
[illegible]							

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on January 17

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	99⅝	99¾	+⅛	5.36
Abbey Natl Treasury 6½ 03	1000	102½	102¾	+⅛	6.05
ABN Amro Bank 7¼ 05	1000	107¼	107⅜	+⅛	6.28
African Dev Bk 7¾ 23	500	108⅝	107⅞	+⅛	6.83
Alberta Province 7¾ 96	1000	102⅝	103⅞	+⅛	5.39
Asian Dev Bank 6½ 05	750	102⅞	103⅛	+⅛	6.01
Sweden 8 97	2500	107¼	107⅝		3.75
United Kingdom 7¼ 97	5500	108	108¼		3.57
Volkswagen Intl Fin 7 03	1000	105⅝	106⅛	-⅛	6.02
World Bank 0 15	2000	31⅛	31¼	+⅛	6.03
World Bank 6¾ 05	3000	101⅝	101⅞	-⅛	5.61
SWISS FRANC STRAIGHTS					
Abbey Natl Treasury 8 03 £	1000	102⅛	102¾	+⅛	7.80
Alliance Leics 11½ 97 £	100	105⅞	106⅛	+⅛	[illegible]
British Land 8⅞ 23 £	150	94½	95⅛		9.65
Denmark 5¾ 98 £	800	100¼	100⅝		6.62
EIB 8 03 £	1000	103¼	103½		7.40
Halifax 10⅛ 97 £	100	104¼	104⅝		[illegible]
Hanson 10⅜ 97 £	500	105⅞	106¼		[illegible]
[illegible]					

FLOATING RATE NOTES

[illegible]

CONVERTIBLE BONDS

[illegible]

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CURRENCIES AND MONEY

MARKETS REPORT

Markets await the Bundesbank and G7 meetings

By Gillian Tett

The foreign exchange markets were left in state of limbo yesterday, as traders sought to discern clear trends ahead of today's Bundesbank meeting and the meeting of G7 ministers in Paris this weekend.

The main focus of interest in the markets remains the relationship between the dollar and D-Mark, with many traders still believing the dollar will strengthen in the coming weeks.

However, although the US currency strengthened during the day against the D-Mark, the rise was modest, not least because the markets are waiting to see whether the Bundesbank cuts rates tomorrow.

Meanwhile, sterling remained becalmed, as the Bank of England and Chancellor met to discuss interest rates.

■ The main development for D-Mark watchers yesterday was a cut in the repo rate by the Bundesbank.

The reduction, by 8 basis points, came one day before the key meeting of the Bundesbank council. It thus inevitably fuelled speculation that the German central bank was considering a reduction in the discount and Lombard rates today, currently at 3 per cent and 5 per cent respectively.

In recent weeks a spate of weaker than expected news has fuelled concern that the German economy is slowing.

But though most traders are confident that rates will fall soon, many suspect that a cut will be delayed until later this month - not least because the last cut occured only fiveweeks ago.

Mr Neil MacKinnon, chief economist at Citibank said: "I think there is a high probability that the discount rate will fall to 2.5 per cent very soon, even if rates are not cut tomorrow."

■ Against this background, the D-Mark weakened slightly during the day against the dollar, closing DM1.4646 in London trading, compared with DM1.4576 the previous day.

The main dollar-related news of the day was that the US trade figures proved better than expected. The October trade data showed a deficit of $8.04bn compared with $9bn as the markets were expecting.

However, the markets largely shrugged off the data, with a brief dollar rally running out of steam soon after the numbers were published.

Part of the reason for the muted trading is that traders fear that the recent shut-down of the US government means that policy makers simply do not have enough data to make judgements about the economy.

However, the other reason is that many economists are looking to the G-7 meeting in Paris this weekend for comments on the dollar from the world's leaders.

Some observers hope that the meeting will indicate international support for a stronger dollar.

Mr Chris Tinker, Treasury chief economist at Standard Chartered in London said: "We have seen a lot of recent comments from the Germans and Japanese to encourage a stronger dollar."

Indeed, with the German economy generally disappointing at present, many observers believe that there is scope for further dollar strengthening in the coming days.

"Investors generally see the US economic situation as being somewhat better than the German one," Mr MacKinnon said.

■ Sterling yesterday traded in a fairly narrow range, although it weakened slightly in the second half of the day against the D-Mark and dollar. Against the German currency it closed at DM2.2415, compared with DM2.2425 the previous day. Against the dollar it closed at $1.5305, from $1.5386 the previous day.

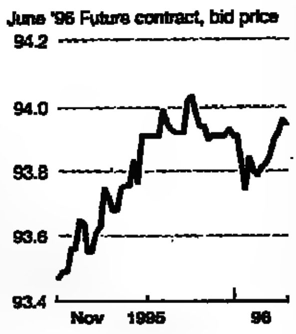
This flat movement reflected the fact that traders were watching to see the outcome of the latest monthly monetary meeting between Mr Eddie George, Bank Governor and Mr Kenneth Clarke, UK chancellor.

Although the two men appear to have decided not to move rates from their current level of 6.5 per cent yesterday, some trader still think that there is a possibility that rates could be cut when the markets open today.

In recent days the June contract for sterling futures has started to rise, indicating that traders are becoming more optimistic about a rate cut. However, futures yesterday remained broadly flat as the markets watched for the results of the meeting.

Sterling

June '96 Future contract, bid price



Source: FT Graphite

■ Pound in New York

Jan 17	Latest	Prev. close
£ spot	1.5260	1.5355
1 mth	1.5247	1.5342
3 mth	1.5227	1.5322
1 yr	1.5116	1.5210

■ OTHER CURRENCIES

Jan 17	£	$
Czech Rp	41.2897 - 41.3170	26.9730 - 26.9850
Hungary	212.198 - 212.411	138.690 - 138.740
Iran	4590.00 - 4600.00	3000.00 - 3000.00
Kuwait	0.4592 - 0.4600	0.2995 - 0.2998
Poland	3.8434 - 3.8489	2.5120 - 2.5140
Russia	7100.40 - 7160.40	4677.00 - 4690.00
U.A.E.	5.6192 - 5.6237	3.6727 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Jan 17		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7616	-0.0075	610 - 722	15.8294	15.7456	15.7181	3.3	15.6741	2.2	-	-	108.3
Belgium	(BFr)	46.0681	-0.0423	224 - 137	46.2320	46.0120	45.9481	3.1	45.7831	2.5	44.6731	2.6	108.5
Denmark	(DKr)	8.6695	+0.0026	644 - 746	8.6987	8.6595	8.6578	1.6	8.6405	1.3	8.582	1.0	109.0
Finland	(FM)	6.8101	-0.0128	022 - 180	6.8350	6.7640	6.8057	0.8	6.7976	0.7	-	-	86.0
France	(FFr)	7.6586	-0.0064	535 - 634	7.6919	7.6376	7.6534	0.8	7.6452	0.7	7.5966	0.8	110.3
Germany	(DM)	2.2415	-0.001	401 - 429	2.2514	2.2383	2.2359	3.0	2.2261	2.7	2.1801	2.7	110.7
Greece	(Dr)	367.642	-0.679	445 - 838	369.226	366.415	-	-	-	-	-	-	66.5
Ireland	(I£)	0.9666	+0.0001	658 - 675	0.9681	0.9654	0.9656	1.2	0.9645	0.9	0.961	0.6	97.8
Italy	(L)	2424.57	-3.65	321 - 593	2434.07	2420.71	2433.02	-4.2	2445.77	-3.5	2504.32	-3.3	72.3
Luxembourg	(LFr)	46.0681	-0.0423	224 - 137	46.2320	46.0120	45.9831	2.7	45.7831	2.5	45.0831	2.1	108.5
Netherlands	(Fl)	2.5105	-0.0008	089 - 121	2.5228	2.5061	2.5046	2.8	2.4942	2.6	2.4503	2.4	108.6
Norway	(NKr)	9.8266	-0.0017	211 - 321	9.8908	9.7330	9.8165	1.2	9.795	1.3	9.7136	1.1	98.3
Portugal	(Es)	231.840	-0.081	657 - 023	232.613	231.125	232.265	-2.2	233.17	-2.3	-	-	95.7
Spain	(Pta)	188.864	+0.107	726 - 002	189.573	188.602	189.349	-3.1	190.284	-3.0	194.519	-3.0	82.2
Sweden	(SKr)	10.2062	+0.012	952 - 171	10.2305	10.1800	10.2081	-0.2	10.2116	-0.2	10.227	-0.2	88.0
Switzerland	(SFr)	1.8063	+0.0019	039 - 086	1.8160	1.8057	1.801	4.8	1.7874	4.5	1.7294	4.4	116.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.2
Ecu	-	1.2122	-0.0014	115 - 128	1.2164	1.2113	1.2111	1.1	1.2089	1.1	1.2009	0.9	-
SDR†	-	1.048800	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5304	-0.0081	298 - 310	1.5354	1.5290	-	-	-	-	-	-	-
Brazil	(R$)	1.4879	-0.0077	873 - 884	1.4930	1.4865	-	-	-	-	-	-	-
Canada	(C$)	2.0943	-0.0081	932 - 953	2.1030	2.0929	2.093	0.7	2.0899	0.8	2.0825	0.6	83.9
Mexico	(New Peso)	11.4788	-0.1104	521 - 055	11.5279	11.4521	-	-	-	-	-	-	-
USA	($)	1.5305	-0.0081	300 - 310	1.5357	1.5290	1.5293	0.9	1.5273	0.8	1.5165	0.9	95.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0662	-0.0027	648 - 675	2.0719	2.0584	2.0677	-0.9	2.0715	-1.0	2.088	-1.1	86.5
Hong Kong	(HK$)	11.8339	-0.0625	292 - 385	11.8748	11.8230	11.8268	0.7	11.8187	0.6	11.7922	0.4	-
India	(Rs)	54.8302	-0.3961	893 - 710	55.0860	54.7990	-	-	-	-	-	-	-
Israel	(Shk)	4.7778	-0.0255	728 - 827	4.7998	4.7728	-	-	-	-	-	-	-
Japan	(Y)	161.445	-1.157	339 - 551	162.960	161.110	160.61	6.2	159.105	5.8	152.765	5.4	137.4
Malaysia	(M$)	3.9128	-0.0306	107 - 148	3.9385	3.9097	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3093	-0.0128	077 - 109	2.3170	2.3079	2.3122	-1.5	2.3192	-1.7	2.3434	-1.5	104.1
Philippines	(Peso)	40.1451	-0.188	554 - 347	40.2347	40.0554	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7402	-0.0302	381 - 423	5.7593	5.7348	-	-	-	-	-	-	-
Singapore	(S$)	2.1672	-0.026	657 - 687	2.1886	2.1657	-	-	-	-	-	-	-
South Africa	(R)	5.5737	-0.0278	707 - 767	5.5972	5.5692	-	-	-	-	-	-	-
South Korea	(Won)	1211.62	-7.91	115 - 209	1217.16	1210.51	-	-	-	-	-	-	-
Taiwan	(T$)	41.9801	-0.1731	618 - 984	42.1181	41.9436	-	-	-	-	-	-	-
Thailand	(Bt)	38.6934	-0.2085	831 - 037	38.8130	38.6530	-	-	-	-	-	-	-

† Rates for Jan 16. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 17		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.2984	+0.049	948 - 019	10.3180	10.2690	10.2829	1.8	10.2569	1.6	10.1534	1.4	108.9
Belgium	(BFr)	30.1000	+0.13	800 - 200	30.1600	30.0000	30.048	2.1	29.96	1.9	29.655	1.5	108.2
Denmark	(DKr)	5.6645	+0.0315	630 - 660	5.6743	5.6460	5.6607	0.8	5.6545	0.7	5.672	-0.1	108.4
Finland	(FM)	4.4496	+0.0323	459 - 533	4.4573	4.4140	4.4446	1.3	4.4359	1.2	4.4071	1.0	85.5
France	(FFr)	5.0040	+0.0307	025 - 055	5.0185	4.9922	5.0072	-0.8	5.0115	-0.6	4.988	0.3	109.7
Germany	(DM)	1.4646	+0.007	641 - 650	1.4677	1.4601	1.4621	2.0	1.4575	1.9	1.4379	1.8	115.1
Greece	(Dr)	240.210	+0.815	160 - 260	240.900	238.800	241.935	-8.6	245.135	-8.2	258.61	-7.7	66.0
Ireland	(I£)	1.5835	-0.0085	825 - 845	1.5898	1.5825	1.5839	-0.3	1.5844	-0.2	1.5805	0.2	-
Italy	(L)	1584.17	+5.92	880 - 454	1585.45	1579.01	1591.02	-5.2	1603.07	-4.8	1661.17	-4.9	71.8
Luxembourg	(LFr)	30.1000	+0.13	800 - 200	30.1500	30.0000	30.048	2.1	29.96	1.9	29.655	1.5	108.2
Netherlands	(Fl)	1.6403	+0.008	398 - 408	1.6446	1.6358	1.6374	2.2	1.632	2.0	1.612	1.7	108.0
Norway	(NKr)	6.4205	+0.0325	190 - 220	6.4490	6.3469	6.4182	0.4	6.41	0.7	6.393	0.4	97.5
Portugal	(Es)	151.480	+0.74	410 - 550	151.720	150.410	151.855	-3.0	152.625	-3.0	156.23	-3.1	95.8
Spain	(Pta)	123.400	+0.715	350 - 450	123.570	123.100	123.795	-3.8	124.53	-3.7	128.02	-3.7	82.0
Sweden	(SKr)	6.6685	+0.0425	635 - 735	6.6762	6.6446	6.6856	-3.1	6.715	-2.8	6.8525	-2.8	87.7
Switzerland	(SFr)	1.1815	+0.0074	810 - 820	1.1865	1.1776	1.1779	3.7	1.1712	3.5	1.1428	3.3	114.7
UK	(£)	1.5305	-0.0081	300 - 310	1.5357	1.5290	1.5293	0.9	1.5273	0.8	1.5165	0.9	83.0
Ecu	-	1.2627	-0.0051	624 - 629	1.2657	1.2610	1.263	-0.3	1.2638	-0.2	1.264	-0.1	-
SDR†	-	0.68020	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	-	999 - 000	1.0000	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9722	+0.0001	721 - 722	0.9724	0.9721	-	-	-	-	-	-	-
Canada	(C$)	1.3684	+0.0019	681 - 686	1.3702	1.3679	1.3686	-0.1	1.3697	-0.1	1.3737	-0.4	83.3
Mexico	(New Peso)	7.5000	-0.0325	850 - 150	7.5150	7.4850	7.5023	-0.4	7.5054	-0.3	7.5103	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3499	+0.0055	495 - 504	1.3504	1.3482	1.3519	-1.8	1.3554	-1.6	1.3741	-1.8	87.5
Hong Kong	(HK$)	7.7320	+0.0002	315 - 325	7.7330	7.7315	7.7327	-0.1	7.7345	-0.1	7.7615	-0.4	-
India	(Rs)	35.8250	-0.07	100 - 400	35.9220	35.8100	35.975	-5.0	36.28	-5.1	37.75	-5.4	-
Israel	(Shk)	3.1217	-0.0003	195 - 239	3.1290	3.1196	-	-	-	-	-	-	-
Japan	(Y)	105.485	-0.3	450 - 520	106.230	105.350	105.02	5.3	104.16	5.0	100.73	4.5	137.2
Malaysia	(M$)	2.5565	-0.0085	560 - 570	2.5590	2.5556	2.5574	-0.4	2.5635	-1.1	2.587	-1.2	-
New Zealand	(NZ$)	1.5088	-0.0004	083 - 094	1.5094	1.5088	1.5119	-2.5	1.5177	-2.4	1.5428	-2.2	-
Philippines	(Peso)	26.2300	+0.015	800 - 500	26.2800	26.1500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	504 - 507	3.7507	3.7504	3.751	-0.1	3.7517	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4160	-0.0095	155 - 165	1.4277	1.4165	1.4124	3.0	1.4064	2.7	1.381	2.5	-
South Africa	(R)	3.6418	+0.001	410 - 425	3.6475	3.6405	3.6705	-9.5	3.722	-8.8	3.9458	-8.3	-
South Korea	(Won)	791.650	-1	600 - 700	793.400	790.300	794.65	-4.5	795.15	-3.5	816.65	-3.2	-
Taiwan	(T$)	27.4290	+0.031	260 - 320	27.4340	27.4200	27.449	-0.9	27.489	-0.9	-	-	-
Thailand	(Bt)	25.2750	-	700 - 800	25.2850	25.2700	25.3737	-4.7	25.5775	-4.6	26.46	-4.7	-

† SDR rate per $ for Jan 16. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 16: Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 17		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.81	16.62	4.864	2.096	5259	5.448	21.33	502.9	409.8	22.15	3.923	2.170	4.543	3.322	350.2	2.630
Denmark	(DKr)	53.17	10	8.834	2.586	1.114	2796	2.895	11.33	267.4	217.8	11.78	2.086	1.154	2.416	1.766	186.2	1.398
France	(FFr)	60.19	11.32	10	2.928	1.261	3165	3.278	12.83	302.7	246.5	13.33	2.361	1.306	2.734	1.999	210.8	1.583
Germany	(DM)	20.56	3.867	3.416	1	0.431	1081	1.120	4.383	103.4	84.21	4.554	0.806	0.446	0.934	0.683	71.99	0.541
Ireland	(I£)	47.71	8.974	7.926	2.321	1	2509	2.598	10.17	240.0	195.4	10.57	1.872	1.035	2.168	1.585	167.1	1.255
Italy	(L)	1.901	0.358	0.316	0.092	0.040	100.	0.104	0.405	9.563	7.789	0.421	0.075	0.041	0.086	0.063	6.658	0.050
Netherlands	(Fl)	18.36	3.454	3.051	0.893	0.385	965.7	1	3.915	92.35	75.22	4.066	0.720	0.398	0.834	0.610	64.30	0.483
Norway	(NKr)	46.91	8.823	7.794	2.282	0.983	2467	2.554	10	235.9	192.1	10.39	1.840	1.018	2.131	1.558	164.3	1.233
Portugal	(Es)	19.89	3.740	3.304	0.967	0.417	1046	1.083	4.239	100.	81.45	4.405	0.780	0.431	0.903	0.660	69.63	0.523
Spain	(Pta)	24.41	4.592	4.056	1.188	0.512	1284	1.329	5.204	122.8	100.	5.408	0.958	0.530	1.109	0.811	85.49	0.642
Sweden	(SKr)	45.14	8.491	7.500	2.196	0.946	2374	2.458	9.624	227.0	184.9	10	1.771	0.979	2.051	1.500	158.1	1.187
Switzerland	(SFr)	25.49	4.795	4.236	1.240	0.534	1341	1.388	5.435	128.2	104.4	5.647	1	0.553	1.158	0.847	89.27	0.670
UK	(£)	46.09	8.669	7.658	2.242	0.966	2424	2.510	9.826	231.8	188.8	10.21	1.808	1	2.094	1.531	161.4	1.212
Canada	(C$)	22.01	4.140	3.657	1.071	0.461	1158	1.199	4.692	110.7	90.16	4.876	0.863	0.478	1	0.731	77.08	0.579
US	($)	30.10	5.662	5.002	1.464	0.631	1583	1.639	6.418	151.4	123.3	6.669	1.181	0.653	1.368	1	105.4	0.792
Japan	(Y)	28.56	5.371	4.745	1.389	0.599	1502	1.555	6.088	143.6	117.0	6.326	1.120	0.620	1.297	0.949	100.	0.751
Ecu		38.03	7.153	6.318	1.850	0.797	2000	2.071	8.107	191.3	155.8	8.424	1.492	0.825	1.728	1.263	133.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6853	0.6854	-0.0003	0.6868	0.6832	43,966	68,633
Jun	0.6884	0.6887	-0.0003	0.6894	0.6876	125	5,122
Sep	-	0.6920	-	-	-	7	1,362

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9527	0.9538	-0.0001	0.9575	0.9508	21,377	80,325
Jun	0.9640	0.9650	+0.0013	0.9679	0.9639	808	3,302
Sep	-	0.9755	-0.0059	-	-	24	486

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8530	0.8521	-0.0017	0.8547	0.8486	24,932	41,437
Jun	0.8585	0.8598	-0.0019	0.8616	0.8588	109	937
Sep	-	-	-	-	0.8665	3	88

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5340	1.5298	-0.0042	1.5340	1.5266	17,236	33,805
Jun	-	1.5302	-	-	1.5440	8	173
Sep	-	1.5310	-	-	1.5230	4	5

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9375	0.10	0.33	0.45	0.08	0.13	0.23
9400	0.02	0.18	0.31	0.25	0.23	0.34
9425	0	0.09	0.20	0.48	0.39	0.48

Est. vol. total, Calls 1625 Puts 1732. Previous day's open int., Calls 123477 Puts 109181

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6.50	Duncan Lawrie	6.50	Royal Bk of Scotland	6.50
Allied Trust Bank	6.50	Exeter Bank Limited	7.50	●Singer & Friedlander	6.50
AIB Bank	6.50	Financial & Gen Bank	7.50	●Smith & Williamson Secs	6.50
●Henry Ansbacher	6.50	●Robert Fleming & Co	6.50	TSB	6.50
Bank of Baroda	6.50	Girobank	6.75	United Bank of Kuwait	6.75
Banco Bilbao Vizcaya	6.50	●Guinness Mahon	6.50	Unity Trust Bank Plc	6.50
Bank of Cyprus	6.50	Habib Bank AG Zurich	6.50	Western Trust	6.50
Bank of Ireland	6.50	●Hambros Bank	6.50	Whiteaway Laidlaw	6.50
Bank of India	6.50	Heritable & Gen Inv Bk	6.75	Yorkshire Bank	6.50
Bank of Scotland	6.50	●Hill Samuel	6.50		
Barclays Bank	6.50	C. Hoare & Co	6.50		
Brit Bk of Mid East	6.50	Hongkong & Shanghai	6.50		
●Brown Shipley & Co Ltd	6.50	Julian Hodge Bank	6.50		
Citibank NA	6.50	●Leopold Joseph & Sons	6.50		
Clydesdale Bank	6.50	Lloyds Bank	6.50		
The Co-operative Bank	6.50	Meghraj Bank Ltd	6.50		
Coutts & Co.	6.50	Midland Bank	6.50		
Credit Lyonnais	6.50	* Mount Credit Corp	6.50		
Cyprus Popular Bank	6.75	NatWestminster	6.50		
		●Rea Brothers	6.50		

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* In administration

WORLD INTEREST RATES

MONEY RATES

January 17	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 7/32	3 3/16	3 5/32	3 1/8	3 1/16	7.00	3.00	-
week ago	3 11/32	3 1/4	3 7/32	3 3/16	3 5/32	7.00	3.00	-
France	4 7/16	4 3/8	4 5/16	4 7/32	4 7/32	4.45	-	5.85
week ago	4 1/2	4 7/16	4 3/8	4 9/32	4 9/32	4.45	-	5.85
Germany	3 3/4	3 3/4	3 1/2	3 3/8	3 1/4	5.00	3.00	3.65
week ago	3 25/32	3 3/4	3 5/8	3 1/2	3 13/32	5.00	3.00	3.73
Ireland	5 3/4	5 5/8	5 1/2	5 1/2	5 15/32	-	-	6.25
week ago	5 1/2	5 5/8	5 1/2	5 1/2	5 3/8	-	-	6.25
Italy	9 15/16	9 27/32	9 23/32	9 19/32	9 1/2	-	9.00	10.48
week ago	10 1/8	9 31/32	10 1/16	10	10 1/32	-	9.00	10.48
Netherlands	3 1/16	3 1/4	3 1/8	3 3/32	3 1/32	-	3.00	3.40
week ago	3 3/32	3 1/4	3 1/8	3 1/8	3 1/8	-	3.00	3.40
Switzerland	1	1 1/2	1 1/2	1 1/2	1 1/2	5.00	1.50	-
week ago	1 1/2	1 1/2	1 3/4	1 3/4	1 3/4	5.00	1.50	-
US	6	5 1/2	5 1/2	5 3/8	5 1/4	-	5.25	-
week ago	6 1/4	5 1/2	5 1/2	5 3/8	5 1/4	-	5.25	-
Japan	7/16	1/2	1/2	1/2	5/8	-	0.50	-
week ago	7/16	1/2	1/2	1/2	1/2	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 9/16	5 17/32	5 13/32	5 1/4	-	-	-
week ago	-	5 9/16	5 9/16	5 15/32	5 11/32	-	-	-
US Dollar CDs	-	5.37	5.28	5.18	5.03	-	-	-
week ago	-	5.37	5.30	5.25	5.14	-	-	-
ECU Linked Ds	-	4 29/32	4 27/32	4 25/32	4 11/16	-	-	-
week ago	-	4 29/32	5	5	4 7/8	-	-	-
SDR Linked Ds	-	3 25/32	3 23/32	3 21/32	3 9/16	-	-	-
week ago	-	3 13/16	3 13/16	3 11/16	3 5/8	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m)

[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

[illegible]

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

[illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

[illegible]

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

[illegible]

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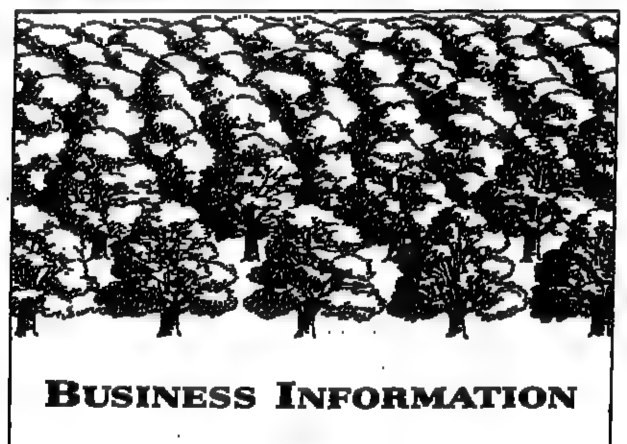

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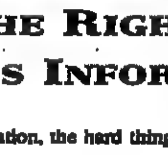

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مكذا من الاصل

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		540xd	-6	598	478½	5,589	5.5	18.6
Bulmer (HP)		508xd	—	510	384	288.2	3.0	15.9
Burn St Dist		125	—	145	99	74.1	5.0	26.9
Grand Met		445xd	-2	467	352	9,306	4.2	15.7
Guinness		488	+6	538	404	9,902	3.6	15.2
Highland		328	—	444	317	434.2	3.0	14.8
Kirin Y		757¼	+5½	779¼	621	7,969	0.8	29.1
Macallan-Glen		183	—	217	175	214.8	0.9	40.6
Macdon Martin A		685	+10	700	600	87.0	2.1	17.9
Matthew Clark		678	—	884	532	595.0	4.1	–
Merrydown		108xd	—	140	67	11.8	2.3	–
Seagram S		£22⅞	-⅛	£25⅛	£16⅛	6,229	1.3	–

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf		50½	—	98	50⅛	6.31	19.8	–
Cater Allen		488	+3	525	418	152.9	8.0	7.8
Close Bros		335	—	340½	216½	489.0	3.2	14.9
Gerrard & Nat		465	+1	489	395	229.9	6.0	15.0
Hambros		199	-2	248	180	351.8	4.7	–
7½pc Cv Pf		100½	-1	112	94	129.5	9.3	–
Joseph (L)		453	—	493	353	24.0	5.2	15.6
King & Shaxson		148xd	—	152	85	33.1	7.6	11.5
Rea Brothers		65	—	67	44	31.4	1.9	26.0
Schroders		1335	-8	1478	906½	2,015	1.3	19.0
N/V		1069	-18	1180	823½	456.4	1.7	15.1
Singer & Fried		101	-4	111	81	198.3	4.8	10.5
8½pc Cv Ln 09/14		£131½	-3	£137	£1[illegible]	49.3	6.5	–
Union		93	-2	121	70	24.7	4.0	–

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

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GRANADA GROUP PLC

GUIDE TO LONDON SHARE SERVICE

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

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BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

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GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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LONDON STOCK EXCHANGE

MARKET REPORT

Equities weakened by bouts of profit-taking

By Steve Thompson, UK Stock Market Editor

An early attempt by the UK stock market to build on Tuesday's substantial gains quickly ran into pockets of resistance yesterday, with the market falling away before embarking on a moderate rally.

At the end of a day which saw the FT-SE 100 lose and then quickly regain the 3,700 level, the index settled a net 6.4 lower at 3,704.2.

Second-line stocks were much quieter, with the FT-SE Mid 250 index never much more than two points lower, and eventually closing 1.9 off at 4,035.6.

Dealers were by no means depressed by the day's events in the market. Indeed, some remained firmly on the bull tack, persisting with the view that more corporate activity will develop in coming months.

Many of the big broking houses remain cautious of the UK market. Lehman Brothers said it "expects a retracement of the Footsie on a 12-month view to around 3,350". Goldman Sachs told its clients to "use any strength in equities to switch into bonds", pointing to "worrying signs that corporate profits will grow more slowly than the market believes", and the potential for a change of government. The strategy team at Credit Lyonnais Laing expects the UK market to rise only modestly in 1996, forecasting a year-end FT-SE 100 of 3,750.

The market's rather optimistic expectations that the monthly meeting between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, could have brought another UK interest rate cut came to nothing.

European rate cut hopes did nothing to help bond markets, which had been helping to drive equity markets higher in recent sessions. Gilts were under minor selling pressure for much of yesterday, finishing just off the day's lows.

The overnight 44-point upsurge in the Dow Jones Industrial Average gave some backbone to the UK equity market at the outset, the FT-SE 100 opening just over 10 points higher and reaching the day's peak, 3,722.6, up 12 points, within a few minutes.

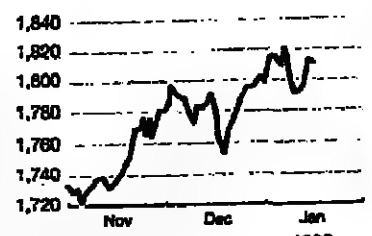
But the realisation that the Dow's gain came ahead of extremely disappointing results from Intel, the world's largest manufacturer of semiconductors, quickly took the gloss off the market's early performance. The Footsie moved back into negative territory within an hour and thereafter struggled to stay above 3,700.

An initial double-figure retreat by the Dow failed to trigger any further substantial damage in London and the Footsie, after slipping almost 15 points at worst, recouped more than half of that by the close.

British Gas was responsible for over half the fall in the FT-SE 100, as the shares dropped in the wake of reports that the industry regulator will continue to take a hard line on price controls. One leading industry analyst warned that if Ofgas adopted too extreme a stance towards British Gas the company would have no alternative than to request a reference to the Monopolies and Mergers Commission.

Turnover at 6pm reached 773.6m shares; customer business on Tuesday was worth a hefty £1.97bn.

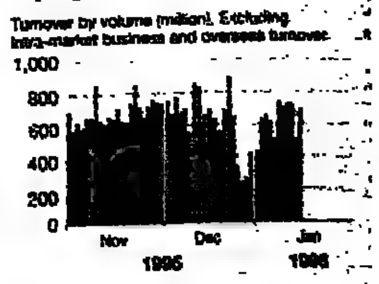
FT-SE-A All-Share Index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding intra-market business and overseas turnover.



Indices and ratios

FT-SE 100	3704.2	-6.4
FT-SE Mid 250	4035.6	-1.9
FT-SE-A 350	1837.9	-2.8
FT-SE-A All-Share	1811.60	-2.44
FT-SE-A All-Share yield	3.76	(3.77)
FT Ordinary index	2753.3	-7.4
FT-SE-A Non Fins p/e	16.78	(16.81)
FT-SE 100 Fut Mar	3728.0	-5.0
10 yr Gilt yield	7.32	(7.30)
Long gilt/equity yld ratio:	2.07	(2.06)

Best performing sectors

1. Textiles & Apparel .... +1.6
2. Electricity .... +0.8
3. Engineering, Vehicles .... +0.7
4. Life Assurance .... +0.5
5. Retailers, General .... +0.5

Worst performing sectors

1. Gas Distribution .... -4.4
2. Retailers, Food .... -1.8
3. Extractive Industries .... -1.2
4. Electronic & Elect Eq. .... -1.1
5. Leisure & Hotels .... -1.0

Scottish Power surges

Scottish Power took the high road to the top of the Footsie charts yesterday as some brokers discussed the advantages of the company ahead of a presentation today.

ScotPower is to talk about cost savings to be achieved by its acquisition of Manweb, and several analysts are poised to raise their dividend growth forecasts.

Merrill Lynch reiterated its buy stance and BZW also recommended the shares. BZW also feels the stock has a more general appeal as a hedge against a Labour victory. It believes that ScotPower is more likely to be immune from a harsher regulatory regime.

However, not everyone agrees. ABN Amro Hoare Govett believes that if Labour encourages devolution the Scottish treasury will need to raise cash. Scottish Power, as one of the country's biggest companies, could be a prime target.

ScotPower shares moved forward 9 to 387p with turnover reaching 4.1m.

Gas worries

Optimism over the prospects for British Gas dissipated yesterday as the official regulator was seen to take a tough line on pricing.

The re-emergence of concerns saw British Gas shares deflate 13 to 255¼p. As they headed back towards their all-time low of 226p achieved in early December, they accounted for almost half of the Footsie's slide yesterday. And the turnover represented more than 4 per cent of the volume in the blue chip index.

It had been hoped that the government might introduce some form of levy to offset the £40bn of highly priced purchase contracts to which British Gas is committed.

But Ms Clare Spottiswoode, the regulator, was quoted yesterday as saying she would only consider reopening the contracts if British Gas were in financial difficulty.

There had also been speculation that a bidder – possibly BP – might emerge on the basis that British Gas was cheap and management was in disarray. But that, too, looked far off the mark yesterday.

Textiles boost

Following what one analyst described as the "annus horribilis" in the sector, textile stocks showed signs of recovery yesterday.

Investment bank BZW has called the turn, moving its stance to overweight and concentrating its recommendation on Courtaulds Textiles and Sherwood.

Analyst Ms Julia Blake argued that the sector is discounting a squeeze from huge raw material cost increases, and falling retail demand. "It cannot get any worse this year," she said. "Our numbers show Courtaulds Textiles on a prospective p/e of 12, which is not demanding by any stretch of the imagination." Courtaulds Textiles gained 10 at 399p. Sherwood a penny at 106p and Coats Viyella, the sector leader, 7½ at 190p.

Brokers acting for Granada Group were reported to have been early buyers of Forte stock and dealers suggested that the group had picked up another 0.7 per cent to take its holding in Forte to 9.9 per cent.

Profit-takers in Forte gained the upper hand, leaving the shares 3 lighter at 377½p after another busy session which brought volume of 27m.

A note from Merrill Lynch due to land on investors' desks today argues in favour of Granada, whose shares ended the session unchanged at 693p.

In spite of months of speculation, yesterday's news that Lloyds Chemists had received an approach which may lead to an offer for the company still appeared to take the market by surprise.

The shares jumped 75 to 366p following the announcement, the best performance in the FT-SE Mid 250 index, with Unichem mentioned as the most likely predator.

Unichem shares relinquished 10 to 239p amid hints that it will unveil an agreed bid for Lloyds Chemists today. However, several analysts suggested such a bid may provoke a Monopolies and Mergers Commission investigation.

Investors in Kingfisher were cheered by an upbeat trading statement from the group. The shares closed 9 ahead at 538p.

Leading food retailers gave up Tuesday's gains as fears of a petrol price war swept through the market. The worries surfaced after news that two petrol giants, Shell and Esso, are to reduce their forecourt prices. Esso is the UK's largest petrol retailer and around 4 per cent of superstore profits are derived from sales of petrol.

Shares in Tesco rose modestly early on in the session after the group reported an 8.5 per cent rise in like-for-like sales for the 20-week period to the end of December. The figures were in line with market expectations.

However, sentiment was hit by a combination of initial fears, later denied, that Tesco may be one of the bidders for Lloyds Chemists, which yesterday said it had received a bid approach. Thus, together with the worries on petrol sales, the shares gave up early strength to close 7¼ cheaper at 308p after trade of 5.8m.

In the rest of the sector, Asda Group, which also denied speculation that it was the prospective bidder for Lloyds Chemists, eased 2½ to 112p. Argyll fell 8½ to 348p and J. Sainsbury 6½ to 417p.

Sparkling fourth-quarter figures from a number of US banks raised the profile of their UK counterparts.

One trader said the sector was "potentially explosive". The sector was helped further by some bullish research from Lehman Brothers. The US brokerage said that with real return on equity at record levels, the valuations look good in comparison with previous periods of low inflation.

Lehman particularly likes the Far Eastern banks, Hongkong and Shanghai, and Standard Chartered. HSBC put on 3 at 1023½p and Standard 6 at 575p. National Westminster rose 4 to 655p. Finally, it maintains the belief that Royal Bank of Scotland, which has risen sharply on takeover speculation over the past year, is "a natural bid candidate". RBoS firmed 3 to 557p.

Medeva shares fell sharply on claims that its best selling drug might cause cancer.

A report by the US Food and Drug Administration alleges a product marketed by Ciba, identical to Medeva's methylphenidate – used to treat attention deficit disorder in children – gave a "weak signal of carcinogenicity".

Analysts said the FDA considered the drug to be safe and effective but any mention of cancer was bound to undermine its appeal. Medeva pointed out that the FDA had also said that methylphenidate was "safe and effective" and the stock recovered from its worst to end 14 off at 259p.

Negative press contributed to a fall of 22 to 377p in USM-quoted ML Laboratories.

Scotia Holdings rallied sharply at one point on reports that it has acquired a development licence for a new multiple sclerosis treatment, but it ended 3 down at 580p.

A profits warning left Wainhomes, the property group, down 41 at 68p.

Reed International firmed a penny to 1000p. BZW issued 15m "spread" warrants, which increase in value as the spread between Reed and its Dutch Elsevier arm narrows.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Jan 17	Jan 16	Jan 15	Jan 12	Jan 11	Yr ago	*High	*Low
Ordinary Share	2753.3	2760.7	2727.0	2720.9	2720.9	2238.1	2760.7	2238.3
Ord. div. yield	3.95	4.04	4.06	4.06	4.06	4.47	4.73	3.94
P/E ratio net	16.47	16.48	16.29	16.26	16.28	17.64	21.33	15.35
P/E ratio nil	16.27	16.28	16.08	16.05	16.07	17.09	22.21	15.17

*For 1995/96. Ordinary Share Index since compilation: high 2760.7 16/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2767.7	2762.3	2758.1	2751.1	2765.4	2752.5	2752.3	2752.1	2750.5	2769.5	2747.9

	Jan 17	Jan 16	Jan 15	Jan 12	Jan 11	Yr ago
SEAQ bargains	34,159	31,904	30,817	29,003	29,786	20,014
Equity turnover (£m)†	-	1955.4	1216.2	1922.4	2095.0	1808.0
Equity bargains†	-	37,930	34,885	36,231	35,114	27,828
Shares traded (mil)†	-	713.5	559.0	728.8	728.7	742.5

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	729	Total Highs	166	Total contracts	62,787
Total Falls	517	Total Lows	28	Calls	37,099
Same	1,587			Puts	25,688

Jan. 17 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est vol	Open int.
Mar	3740.0	3723.0	-4.0	3741.0	3707.0	10119	62411
Jun	3716.0	3726.0	-3.0	3723.0	3716.0	60	1118

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est vol	Open int.
Mar	-	4060.0	-	-	-	0	3412

■ FT-SE 100 INDEX OPTION (LIFFE) (*3701) £10 per full index point

	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P
Jan	197	1	166	1	58½	1½	19	11½	2	49	1	99	1	149	1	199
Feb	174½	7	139½	12½	91	23	57	40	31	68	15	104	6½	152	2	202
Mar	191	20½	157½	31	114	43	82	61	56	86	34½	117½	20½	156½	11½	202
Apr	198	38½	160½	51	129½	69½	99	89	75½	114½	53½	143½	37½	178½	25½	217½
Jun†			196½	77½			133½	112			83½	163			59½	231½

Calls 4,166 Puts 6,050

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P
Jan	182	1	132	1	82½	1	38½	4½	6½	24½	1	69½	1	118	1	168
Feb	198	5	152½	9	110	18½	71½	28	43	49	23½	79	11	116	4	159
Mar	210	14	167½	21	128½	31½	94	46½	66½	68½	44½	96	28½	129½	17½	168
Jun	249	53½			180	82			119½	118½			74	170		
Sept†	284½	84			226½	113½			167½	148½			117½	194		

Calls 3,724 Puts 3,002 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	1995/96 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	23.0	125	115	Century Inns	115	-	-	-	-	-
-	F.P.	58.5	114	108	Cox Insurance	113	-	-	-	-	-
-	F.P.	14.8	60	52	†Crown Products	55	-	-	-	-	-
-	F.P.	13.5	90	72	†Dmatek	72	-	-	-	-	-
-	F.P.	25.6	99	73	Jupiter Split Cap	95½	-	-	-	-	-
-	F.P.	53.8	101	98	Jupiter Split Inc	96½	-	17.24	-	9.2	-
-	F.P.	59.0	658	658	Jupiter Split Units	658	-	7.24	-	0.2	-
-	F.P.	9.27	¼	¼	†Mountcashel	¼	-	-	-	-	-
-	F.P.	8.71	78	75	†Nthn Petm	76	-	-	-	-	-
-	F.P.	0.13	8	8	†Oil Wrnts	8	-	-	-	-	-
-	F.P.	1.07	105	100	†Revelation P'olly	100	-	-	-	-	-
-	F.P.	3.15	3¼	3	†Rushmere Wynne	3	-	-	-	-	-
-	F.P.	0.79	7½	6½	†Skye/Fromme Wts	6½	-	-	-	-	-
133	F.P.	48.9	146	133	Unicorn Intl	146	-	W5.5	2.2	4.7	12.2
-	F.P.	172.5	260	213	Victrex	245	-	L10.6	2.4	1.8	28.1
-	F.P.	4.05	135	125	†Viewrm	126	-	-	-	-	-
-	F.P.	0.14	2	2	Wstn Selectn Wts	2	-	-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jan 16	% chg on day	Jan 15	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	2165.91	+1.2	2148.79	1998.83	1.54	-	2208.35	1697.91
■ Regional Indices								
Africa (16)	2977.51	+2.6	2965.97	2752.87	3.04	31.26	3083.46	2272.74
Australasia (6)	2579.63	-	2579.71	2215.30	1.92	40.54	2732.31	1788.29
North America (12)	1875.65	+0.6	1864.20	1471.32	0.72	56.02	1943.63	1348.18

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FT - SE Actuaries Share Indices — The UK Series

	Jan 17	Day's chge%	Jan 16	Jan 15	Jan 12	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3704.2	-0.2	3710.6	3662.7	3657.3	3054.9	3.86	2.07	15.62	2.65	1482.65
FT-SE Mid 250	4035.6	----	4037.5	4021.6	4024.6	3465.0	3.00	1.61	18.97	12.00	1594.84
FT-SE Mid 250 ex Inv Trusts	4043.6	-0.1	4046.2	4029.9	4033.4	3475.5	3.77	1.67	17.72	13.48	1599.47
FT-SE-A 350	1837.9	-0.1	1840.5	1820.2	1818.4	1629.4	3.61	2.02	16.22	2.25	1505.43
FT-SE-A 350 Higher Yield	1845.3	-0.1	1847.5	1825.2	1820.7	1581.8	4.67	1.84	14.36	3.45	1256.56
FT-SE-A 350 Lower Yield	1834.6	-0.2	1838.0	1819.8	1820.8	1496.8	2.89	2.34	18.49	0.96	1253.69
FT-SE SmallCap	1976.18	----	1976.29	1972.05	1969.32	1740.18	3.16	1.82	21.81	1.37	1589.40
FT-SE SmallCap ex Inv Trusts	1949.98	----	1950.65	1946.85	1944.15	1717.67	3.36	1.90	19.44	1.96	1586.77
FT-SE-A ALL-SHARE	1811.60	-0.1	1814.04	1795.26	1793.42	1513.85	3.76	2.01	16.55	2.18	1507.66

■ FT-SE Actuaries All-Share

	Jan 17	Day's chge%	Jan 16	Jan 15	Jan 12	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3164.38	-0.1	3167.28	3150.70	3187.43	2668.54	3.69	2.02	16.72	0.00	1331.59
12 Extractive Industries(6)	4039.78	-1.1	4086.76	4074.65	4056.89	3602.96	3.67	2.56	13.29	0.00	1158.40
15 Oil, Integrated(3)	3212.96	+0.1	3208.40	3189.69	3237.93	2661.25	3.83	1.95	16.70	0.00	1386.01
16 Oil Exploration & Prod(15)	2100.65	-0.3	2107.30	2099.25	2118.44	1877.40	2.33	1.48	35.16	0.00	1246.67
20 GEN INDUSTRIALS(276)	1996.99	-0.2	2000.77	1991.84	1991.20	1847.24	4.14	1.90	15.93	0.54	1072.69
21 Building & Construction(34)	1040.05	-0.9	1049.68	1041.16	1036.75	965.31	3.87	2.16	14.82	0.96	857.17
22 Building Matls & Merchs(29)	1771.91	-0.5	1780.99	1770.84	1769.86	1751.30	4.23	2.05	14.55	0.40	871.58
23 Chemicals(23)	2432.91	+0.2	2427.42	2414.03	2417.17	2287.45	4.03	1.87	16.60	0.91	1189.37
24 Diversified Industrials(21)	1819.87	+0.2	1817.07	1810.63	1816.32	1808.25	5.42	1.58	14.62	0.00	995.07
25 Electronic & Elect Equip(36)	2261.78	-1.1	2287.01	2261.20	2254.65	1905.05	3.19	1.95	20.07	1.31	1161.57
26 Engineering(71)	2197.06	-0.4	2204.87	2203.28	2201.25	1777.47	3.39	2.23	16.51	1.02	1315.63
27 Engineering, Vehicles(13)	2557.49	+0.7	2538.95	2521.04	2504.39	2122.97	4.01	1.24	25.09	0.00	1303.96
28 Paper, Pckg & Printing(26)	2600.46	-0.1	2601.94	2602.91	2589.78	2805.41	3.83	2.53	12.88	0.39	1065.99
29 Textiles & Apparel(19)	1479.39	+1.6	1456.36	1452.79	1454.03	1518.76	4.70	1.80	14.83	0.00	887.26
30 CONSUMER GOODS(81)	3636.64	-0.1	3639.52	3591.25	3571.74	2792.39	3.74	1.79	18.63	6.25	1324.22
32 Alcoholic Beverages(9)	2914.14	+0.1	2912.66	2896.72	2894.67	2574.65	4.17	1.79	16.71	27.39	1050.93
33 Food Producers(23)	2606.64	....	2605.46	2577.93	2573.44	2309.96	3.95	1.81	17.48	0.13	1156.13
34 Household Goods(15)	2682.71	-0.3	2689.65	2700.75	2696.65	2437.40	3.61	2.15	16.13	1.41	1007.91
36 Health Care(20)	1899.95	-0.6	1911.06	1911.48	1907.86	1667.12	2.71	1.76	26.23	1.39	1141.88
37 Pharmaceuticals(13)	5064.90	-0.2	5076.22	4981.32	4944.00	3321.00	3.24	1.70	22.69	0.05	1691.64
38 Tobacco(1)	4826.40	+0.5	4815.70	4722.52	4665.22	3760.23	4.97	1.94	12.97	0.00	1195.14
40 SERVICES(254)	2263.77	-0.2	2268.01	2239.81	2230.21	1873.87	3.01	2.12	19.59	2.58	1161.81
41 Distributors(32)	2570.95	-0.2	2575.98	2567.67	2572.54	2455.88	3.73	1.79	18.76	0.00	935.71
42 Leisure & Hotels(34)	2759.78	-1.0	2786.55	2710.36	2707.65	2090.55	3.14	2.04	19.48	12.51	1423.91
43 Media(46)	3557.14	-0.1	3562.20	3521.58	3509.64	2711.86	2.13	2.24	26.16	4.26	1274.60
44 Retailers, Food(15)	2073.36	-1.8	2110.64	2058.99	2031.72	1785.23	3.52	2.40	14.78	0.00	1298.29
45 Retailers, General(43)	1916.40	+0.5	1907.23	1886.83	1884.94	1548.61	3.10	2.27	17.79	0.70	1080.72
47 Breweries, Pubs & Rest.(24)	2859.64	+0.4	2847.28	2826.10	2808.43	2206.68	3.45	2.07	17.52	7.81	1363.82
48 Support Services(49)	1916.75	-0.6	1927.40	1921.78	1915.60	1501.70	2.44	2.47	20.72	1.81	1208.16
49 Transport(21)	2219.55	+0.1	2217.88	2193.80	2180.83	2226.39	3.90	1.39	23.01	0.48	911.68
60 UTILITIES(34)	2448.99	-0.4	2457.40	2428.03	2430.88	2399.07	5.04	2.02	12.30	11.76	1028.68
62 Electricity(13)	2684.71	+0.8	2662.58	2652.98	2682.18	2469.41	5.09	2.62	9.39	43.55	1270.08
64 Gas Distribution(2)	1692.59	-4.4	1770.11	1740.58	1750.55	2084.46	7.06	1.04	16.97	0.00	849.20
66 Telecommunications(7)	2015.55	-0.1	2018.50	1979.71	1972.40	2015.41	4.10	1.74	17.13	0.00	912.30
68 Water(12)	2056.00	-0.2	2060.42	2058.94	2045.98	1737.37	5.92	2.61	8.07	3.61	1115.92
69 NON-FINANCIALS(669)	1914.68	-0.2	1918.50	1899.22	1897.29	1643.84	3.80	1.96	16.78	2.79	1430.89
70 FINANCIALS(108)	2687.60	+0.1	2684.84	2640.48	2642.67	2103.59	3.92	2.32	13.73	0.32	1219.64
71 Banks, Retail(8)	4078.21	+0.3	4065.80	3991.86	3973.42	2742.53	3.67	2.60	13.06	0.00	1307.31
72 Banks, Merchant(6)	3501.75	-0.8	3609.56	3625.30	3634.20	3035.88	2.60	2.41	19.95	0.00	1122.85
73 Insurance(24)	1432.60	-0.5	1439.22	1409.99	1419.98	1161.99	5.11	2.69	9.06	0.06	1050.01
74 Life Assurance(6)	3450.40	+0.5	3433.68	3433.73	3442.01	2275.36	4.04	1.85	20.22	0.00	1405.70
77 Other Financial(23)	2390.60	-0.4	2400.00	2399.99	2397.17	1882.43	3.73	1.87	17.94	0.00	1340.37
79 Property(41)	1451.83	-0.3	1456.15	1457.47	1458.34	1366.35	4.26	1.32	22.07	1.68	881.42
80 INVESTMENT TRUSTS(127)	3057.00	+0.1	3052.47	3043.91	3043.74	2631.80	2.17	1.06	54.44	2.98	1059.63
89 FT-SE-A ALL-SHARE(904)	1811.60	-0.1	1814.04	1795.26	1793.42	1513.85	3.76	2.01	16.55	2.18	1507.66
FT-SE-A Fledgling	1121.31	....	1121.69	1120.37	1118.04	999.37	3.02	2.20	18.83	1.38	1160.16
FT-SE-A Fledgling ex Inv Trusts	1119.32	....	1119.86	1119.15	1117.12	1001.74	3.33	2.39	15.73	1.47	1157.38

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3720.7	3712.2	3707.7	3700.6	3705.6	3699.7	3700.8	3701.5	3700.8	3722.6	3695.7
FT-SE Mid 250	4042.9	4044.3	4041.3	4038.1	4038.9	4037.6	4037.3	4037.2	4035.5	4045.2	4034.9
FT-SE-A 350	1845.0	1841.8	1839.8	1836.7	1839.0	1836.3	1836.7	1837.0	1836.5	1845.9	1834.5

Time of FT-SE 100 Day's high: 8.34am Day's low: 3.29pm. FT-SE 100 1996 High: 3720.6 (8/1/96) Low: 2954.2 (23/1/95).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1052.0	1051.5	1047.8	1042.0	1042.2	1041.7	1041.7	1042.3	1040.8	1040.8	1047.7	-6.9
Pharmaceuticals	5042.9	5014.5	5022.2	5017.1	5020.9	5020.2	5013.7	5013.0	4993.5	5008.1	5018.7	-10.6
Water	2056.2	2055.8	2056.4	2051.7	2051.1	2050.6	2049.2	2047.2	2047.2	2048.2	2052.7	-4.5
Banks, Retail	4142.5	4137.0	4137.7	4131.2	4137.2	4130.3	4139.1	4135.6	4127.4	4130.1	4117.6	+12.5

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
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TRADING VOLUME

■ Major Stocks Yesterday

	Vol 000s	Closing price	Day's change
3i†	247	407	-½
ASDA Group†	7,700	112	-2½
Abbey National†	2,100	550	+7
Albert Fisher	1,300	47½	-1
Allied Domecq†	2,100	541	-4
Anglian Water	285	570	-7
Argos†	1,100	575	+1
Argyll Group†	7,100	348	-8½
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

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FT FINANCIAL TIMES GROUP

WORLD STOCK MARKETS

EUROPE

POLAND (Jan 17 / Zloty)

		+/-	High	Low	Yld	P/E
Elbrw	11.50	+.40	11.10	6.40	1.3	....
Exbud	34.50	+.10	36.30	10.60	...	...
Mostal	6.75	+.15	8.60	5.35	...	...
Wedel	91	...	185	81.50	1.3	...
Wlcznk	24.40	+.30	33	18.90	1.2	...
Zywiec	165	...	213	127.50	1.1	...

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PORTUGAL (Jan 17 / Escudo)

		+/-	High	Low	Yld	P/E
BCP	1,891	-19	2,287	1,401	5.3	...
BCPort	2,170	-10	2,290	1,651	2.5	...
BESant	2,349	+78	2,595	1,956	6.4	...
BancTA	2,850	+8	3,274	2,312	7.0	...
ModCnt	4,220	...	4,340	3,317	6.5	...
ModSpr	5,300	...	5,300	3,580	2.1	...
PTelcm	3,148	+3	3,185	2,700	...	...
Sonfiw	3,510	-48	3,820	3,075	4.3	...
Unicer	2,575	-35	2,840	1,891	3.3	...

AFRICA

SOUTH AFRICA (Jan 17 / Rand)

		+/-	High	Low	Yld	P/E
StdRen	14	-.50	14.75	8.75	...	...
Sentch	14.50	+.25	15.75	12.85	...	...
SmithFd.	78.50	+.50	78.50	54	1.4	...
SmithCG	29.25	+.25	30	18.50	1.9	...
SABrew	143	+1.50	144	88	1.1	...
SAMinAm	52.25	+.25	57	44	1.2	...
SLife	50	...	50	31	1.6	...
SLife	50	...	50	31	1.6	...
SSteel	119	+3	119	81	3.8	...
St Hel	25.75	-.25	37.50	19	...	...
StandB	170	...	180	100	...	...
TigOat	87.50	+2	87.50	45	1.1	...
TngHul	68.25	...	68.25	35	1.2	...
VRoofs	311	+5	370	193	4.0	...
W Area	72	+1	72	38.25	4.3	...
W Deep	154.50	+2	163	100.50	3.2	...
Winkhh	35.25	+1.25	58	24	5.7	...

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995/96, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Jan 17	Jan 16	Jan 15	1995/96 High		1995/96 Low	
Argentina							
General(29/12/77)	(u)	17232.78	17318.17	17888.20	3/1/96	8801.09	9/3/95
Australia							
All Ordinaries(1/1/80)	2250.3	2245.1	2233.0	2274.90	8/1/96	1823.38	8/2/95
All Mining(1/1/80)	1012.1	1004.7	1005.5	1041.80	8/1/96	795.30	8/2/95
Austria							
Credit Aktien(30/12/84)	365.53	366.27	364.63	395.42	2/1/95	328.58	27/10/95
Traded Index(2/1/91)	1030.40	1033.09	1024.05	1056.31	2/1/95	882.15	23/10/95
Belgium							
BEL20(1/1/91)	1632.74	1627.32	1613.94	1632.74	17/1/96	1271.59	9/3/95
Brazil							
Bovespa(29/12/83)	(u)	48468.0	48654.0	48654.00	15/1/96	21382.00	9/3/95
Canada							
Metals Minls♦(1975)	(u)	4687.47	4732.57	5288.37	23/11/95	3808.83	1/3/95
Composite♦(1975)	(u)	4766.00	4739.70	4855.36	8/1/96	3981.41	30/1/95
Portfolio§§(4/1/83)	(u)	2345.84	2328.54	2383.53	9/1/96	1953.36	30/1/95
Chile							
IGPA Gen♥(31/12/80)	(u)	5781.07	5764.53	6363.10	11/7/95	4578.80	9/3/95
Denmark							
CopenhagenSE(3/1/83)	388.83	385.89	380.26	388.83	17/1/96	330.01	29/3/95
Finland							
HEX General(28/12/90)	1680.37	1673.91	1678.23	2332.22	14/9/95	1555.30	29/3/95
France							
SBF 250(31/12/90)	1292.70	1284.60	1270.25	1322.30	12/5/95	1154.41	13/3/95
CAC 40(31/12/87)	1966.00	1952.10	1924.40	2017.27	12/5/95	1721.14	23/10/95
Germany							
FAZ Aktien(31/12/58)	850.61	852.59	848.95	852.59	16/1/96	708.87	30/3/95
Commerzbank(1/12/53)	2463.00	2469.50	2458.3	2469.50	16/1/96	2018.70	30/3/95
DAX‡(30/12/87)	2371.30	2376.87	2359.05	2376.87	16/1/96	1910.96	28/3/95
Greece							
Athens SE(31/12/80)	952.61	951.99	935.90	992.59	4/8/95	787.15	16/3/95
Hong Kong							
Hang Seng(31/7/64)	10593.82	10671.15	10634.50	10671.10	16/1/96	6967.93	23/1/95
India							
BSE Sens.(1979)	2962.91	3015.48	3022.51	3932.09	2/1/95	2822.16	29/11/95
Indonesia							
Jakarta Comp.(10/8/82)	557.01	558.43	563.90	583.90	15/1/96	414.21	19/4/95
Ireland							
ISEQ Overall(4/1/88)	2312.22	2298.65	2280.85	2312.22	17/1/96	1813.59	23/1/95
Italy							
Banca Comm Ital(1972)	587.62	580.94	579.24	680.64	10/2/95	547.79	5/12/95
MIB General(2/1/96)	996.00	985.0	982.0	1019.00	3/1/96	982.00	15/1/96
Japan							
Nikkei 225(16/5/49)	20570.26	20567.07	(c)	20589.90	8/1/96	14485.40	3/7/95
Nikkei 300(1/10/82)	300.89	300.73	(c)	307.98	5/1/96	222.28	13/6/95
Topix(4/1/68)	1605.01	1603.06†	(c)	1632.03	5/1/96	1193.16	13/6/95
2nd Section(4/1/68)	2106.05	2101.85	(c)	2130.68	4/1/95	1441.80	13/6/95
Malaysia							
KLSE Comp.(4/4/86)	1072.35	1069.86	1072.55	1095.04	5/9/95	846.87	24/1/95
Mexico							
IPC(Nov 1978)	(u)	2821.25	2808.24	3011.06	5/1/96	1447.52	27/2/95
Netherland							
CBS TtlRtnGen(End 83)	549.2	548.3	545.0	551.00	8/1/96	422.90	23/3/95
CBS All ShrEnd 83)	332.5	332.0	330.0	333.60	8/1/96	265.20	23/3/95
New Zealand							
Cap. 40(1/7/86)	2080.63	2100.96	2110.76	2209.82	20/10/95	1801.43	5/1/95
Norway							
Oslo SE(Ind)(2/1/83)	1273.96	1279.69	1280.15	1316.38	8/1/96	1036.00	10/3/95
Philippines							
Manila Comp(2/1/85)	2748.77	2776.75	2778.86	2958.12	10/7/95	2196.48	20/11/95
Portugal							
BTA(1977)	2593.80	2597.8	2571.8	2911.50	9/1/95	2412.90	22/11/95
Singapore							
SES All-S'pore(2/4/75)	578.82	581.61	582.73	582.73	15/1/96	472.98	23/1/95
South Africa							
JSE Gold(28/9/78)	1623.3♥	1609.8	1560.3	2823.00	2/1/95	1250.28	30/10/95
JSE Ind.(28/9/78)	8607.9♥	8598.6	8479.0	8607.98	17/1/96	6222.00	31/1/95
South Korea							
KoreaCapEx**(4/1/80)	857.06	869.27	865.46	1027.37	2/1/95	847.08	27/5/95
Spain							
Madrid SE(30/12/85)	328.33	327.46	325.99	329.03	4/1/96	284.86	23/3/95
Sweden							
AffarsvarldsGen(1/2/37)	1713.0	1719.8	1712.2	1872.10	19/9/95	1439.89	29/3/95
Switzerland							
Swiss Bk Ind(31/12/58)	1516.19	1525.80	1517.81	1578.89	4/1/96	1174.83	13/3/95
SBC General(1/4/87)	1123.08	1130.11	1125.30	1165.89	4/1/96	870.56	13/3/95
Taiwan							
WeightedPr.**(30/6/66)	5017.48	5015.36	5027.01	7051.49	5/1/95	4503.37	14/8/95
Thailand							
Bangkok SET(30/4/75)	1371.06	1371.64	1376.80	1472.04	10/7/95	1135.89	16/3/95
Turkey							
Istanbul Comp.(Jan 1986)	46459.7	47001.5	45237.2	54653.90	21/4/95	24844.38	23/1/95
WORLD							
MS Capital Intl(1/1/70)	730.5*	731.7	725.9	743.00	5/1/96	598.21	23/1/95
CROSS-BORDER							
Eurotrack 100(26/10/90)	1525.34	1522.85	1510.88	1535.57	4/1/96	1222.41	13/3/95
Euro Top-100(26/6/90)	1362.48	1362.58	1346.16	1370.59	3/1/96	1117.34	9/3/95
JCapelOrgns(31/12/88)	(u)	380.63	381.13	386.23	15/1/96	282.07	23/1/95
ING Brngs Emrg(7/1/92)	156.50	156.31	156.18	159.07	2/1/95	117.15	10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
Jan	1967.5	1975.0	+16.0	1977.0	1950.0	22,660	33,840
Feb	1972.5	1982.0	+16.5	1982.5	1957.0	317	1,490
DAX							
Mar	2407.5	2388.0	-4.5	2407.5	2379.0	27,744	-
Jun	2421.5	2401.0	-7.5	2421.5	2394.0	737	-
OMX							
Jan	1342.00	1324.50	-5.50	1345.00	1318.00	4,862	15,672
Feb	1348.00	1329.25	-8.75	1353.00	1329.25	675	5,198
SOFFEX							
Jan	3267.0	3212.0	-35.0	3270.0	3205.0	10,393	14,165
Feb	3275.0	3215.0	-36.0	3275.0	3212.7	2,732	8,382

** Sat Jan 13: Taiwan Weighted Price 5025.30; Korea Comp Ex 874.46. Base values of all Indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7, JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 17 – 2375.63 –3.80.

US INDICES

Dow Jones	Jan 16	Jan 15	Jan 12	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5088.22	5043.78	5061.12	5216.47 (13/12/95)	3832.08 (30/1/95)	5216.47 (13/12/95)	41.22 (2/7/32)
Home Bonds	105.24	105.35	105.31	105.58 (10/1/96)	93.63 (3/1/95)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1898.95	1898.36	1905.53	2092.11 (5/12/95)	1473.19 (3/1/95)	2092.11 (5/12/95)	12.32 (8/7/32)
Utilities	229.60	228.10	228.17	229.88 (16/1/96)	183.03 (3/1/95)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5116.04 (5099.42) Low 5000.79 (5012.71) (Theoretical♦)
Day's high 5088.56 (5078.82) Low 5018.86 (5038.92) (Actual♦)

Standard and Poors	Jan 16	Jan 15	Jan 12	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	608.44	599.82	601.81	621.69 (13/12/95)	459.11 (3/1/95)	621.69 (13/12/95)	4.40 (1/6/32)
Industrials♥	710.42	702.07	705.13	731.65 (13/12/95)	546.28 (3/1/95)	731.65 (13/12/95)	3.62 (21/6/32)
Financial	60.82	59.52	59.72	63.66 (6/12/95)	41.64 (3/1/95)	63.66 (6/12/95)	8.64 (1/10/74)
NYSE Comp.	325.83	322.29	322.95	332.63 (3/1/96)	250.73 (3/1/95)	332.63 (3/1/96)	4.46 (25/4/42)
Amex Mkt Val	531.81	532.70	534.84	559.88 (12/9/95)	433.12 (6/1/95)	559.88 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	995.88	998.57	1008.23	1069.79 (4/12/95)	743.58 (3/1/95)	1069.79 (4/12/95)	54.87 (31/10/72)

RATIOS

	Jan 12	Jan 5	Dec 29	Year ago
Dow Jones Ind. Div. Yield	2.33	2.28	2.30	2.73
	Jan 10	Jan 3	Dec 27	Year ago
S & P Ind. Div. yield	2.02	1.95	1.98	2.45
S & P Ind. P/E ratio	18.30	18.95	18.75	18.71

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Micron	10,147,200	32⅝	+1⅞
Kmart	7,261,000	8¼	-¼
Motorola	6,488,100	48⅝	+¼
Telefonos	4,921,400	32⅝	+¼
Citicorp	4,863,900	68	+4⅛
IBM	4,579,500	87⅝	+4⅝
Compaq	3,898,700	47⅛	+3⅜
Block H&R	3,838,300	34⅞	-1⅞
Abbott Labs	3,622,900	40	-¼
Chemical Bnk	3,347,400	58⅞	+3⅞

TRADING ACTIVITY

● Volume (million)	Jan 16	Jan 15	Jan 12
New York SE	422.234	305.789	379.292
Amex	16.548	15.791	17.929
NASDAQ	574.898	430.377	495.514
NYSE			
Issues Traded	3,081	3,061	3,068
Rises	1,386	981	1,104
Falls	935	1,301	1,187
Unchanged	750	779	778
New Highs	127	80	73
New Lows	35	27	29

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Mar	609.50	610.20	-0.70	610.25	606.40	84,093	197,142
Jun	614.70	613.50	-2.85	614.70	614.00	143	6,501

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Nikkei 225							
Mar	20760.0	20630.0	+50	20830.0	20620.0	26,138	142,627
Jun	20740.0	20650.0	+100	20800.0	20650.0	2,702	21,104

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Wednesday, January 17, 1996

	Stocks Traded	Closing Prices	Change on day
Sharp Corp	8.2m	1690	+50
Toshiba Corp	7.7m	631	+6
Mitsui Osk Lines	7.5m	350	+12
Mitsui M & F Ins	7.3m	791	+10
Chiba Bank	7.3m	911	+1
Koa Oil Co	6.9m	1230	+70
Japan Paper Ind	6.2m	703	+3
NKK Corp	6.0m	295	+2
Takara Shuzo	6.0m	1130	-40
Mitsubishi Corp	5.8m	1280	-20

4 pm close January 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22 1/8	12 1/8	AAR	0.48	2.3	25	372	21 5/8	21 1/8	21 1/8	-1/8
46 1/4	35	AMP	0.92	2.4	19	8447	38 5/8	36 3/4	37 7/8	+1/8
80 1/4	53 3/8	AMR			16	5892	73 1/8	71 1/8	71 3/4	-1/4
47 7/8	36 3/8	ASA	1.71	4.0	28	1031	43 3/4	42 1/4	43 1/2	+5/8
44 3/4	30 3/4	AbbotL x	0.84	2.2	18	32616	39 5/8	38 5/8	38 7/8	-1 1/8
18 7/8	12	Abitibi Pr	0.40	2.8	7	518	14 1/2	14 3/8	14 1/2	
28 1/2	21	ABM Ind x	0.70	2.5	15	6	28 3/4	28 1/8	28 1/4	+1/8
17 1/2	13 1/8	Acceptnce			10	80	15 1/8	14 7/8	15	-1/4
40	21 7/8	ACE Ltd	0.56	1.4	9	1670	39 5/8	38 1/2	39 1/4	+5/8
9 7/8	8 1/8	ACM Gvt In	0.48	5.0	8	700	9 5/8	9 1/2	9 5/8	+1/4
7 3/4	6 1/2	ACM GvOpp x	0.65	8.9		207	7 3/8	7 1/4	7 3/8	
7 1/2	5 3/4	ACM Gvt Sp x	0.75	10.7		319	7	6 7/8	7	
8 3/4	7 1/4	ACM Gvt Se	0.24	2.8		1324	u8 3/4	8 1/2	8 5/8	+1/8
9 1/2	7 3/8	ACM Man x	0.90	10.0		545	9	8 7/8	9	
29 1/4	10 1/8	AcmeClv	0.48	2.7	31	288	18	17 5/8	17 7/8	-1/8
38 3/4	7 3/8	Acme Elect			67	157	8 1/2	8	8 1/8	-3/8
34 1/2	23 3/4	Acordia	0.72	2.5	15	3	28 1/4	28 1/4	28 1/4	
16 3/4	10 1/8	Acuson			38	290	12 3/8	12 1/4	12 1/4	-1/4
19 7/8	15 5/8	Adams Exp	0.48	2.6	0	164	18 3/4	18 5/8	18 3/4	
39 7/8	16 1/8	Advmc			6	15938	19 3/8	18 1/2	18 7/8	-5/8
9 3/4	5	Advest Grp	0.16	1.8	12	18	8 7/8	8 3/4	8 7/8	
27 1/2	16 1/2	Advo Inc	0.10	0.4	18	1958	24 3/8	23 7/8	24	
46 3/4	24.80	Aegon	1.28	2.8	17	45	45 3/8	45	45 3/4	+1/4
5 7/8	3 3/8	Aerflx			7	71	3 7/8	3 3/4	3 3/4	-1/8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12 3/8	7 5/8	BattlM	0.05	0.5	142	5293	10	9 5/8	10	+1/8
44 1/2	30 7/8	Bausch	1.04	2.7	41	1479	39 1/8	38 3/4	38 3/4	-1/4
44 3/4	28 3/4	Baxter	1.13	2.7	16	4103	41 7/8	41 1/2	41 5/8	-1/8
29 1/2	22 1/4	Bay St Gas	1.50	5.5	16	47	27 3/4	27 3/8	27 1/2	
48 3/4	29 1/2	BBN				7579	31 1/8	d28 1/2	28 3/4	-2 3/4
22	19	Bd Tr 1606	1.64	7.6		18	21 1/2	21 3/8	21 1/2	+1/8
8 1/8	6 7/8	BEA IncFd				484	u8 1/4	8	8 1/4	+1/4
9 1/8	6 1/2	Bea Strat	0.81	9.0		168	9	8 7/8	9	
23 1/8	15 3/8	Bear Stms	0.60	3.0	9	6696	19 3/4	19 3/8	19 3/4	+1/4
44 1/2	40 1/4	BearSPIA	2.75	6.4		4	43 1/8	43	43	
29 5/8	12 1/4	Bearings	0.58	2.1	15	28	27 1/8	26 7/8	27	-1/8
35 7/8	26 1/2	Beckman In	0.44	1.3	19	217	34 3/4	34 3/8	34 3/8	
78 3/8	48	BectnD	0.82	1.1	21	1634	u78 3/8	77	77 3/8	+3/8

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Continued on next page

4 pm close January 17

NYSE COMPOSITE PRICES

Continued from previous page

1995/96 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
60¼	39⅝	SBC Cm x	1.85	2.9	19	8257	57¾	56½	57	-⅞
28⅝	20½	Scana Corp	1.44	5.2	17	1852	28	27⅞	27⅞	
18½	14½	Scecrp x	1.00	5.6	10	7198	18⅛	17⅞	18	-½
11¼	5⅞	SchawkA	0.26	3.5	18	54	7⅝	7⅜	7⅜	
50¼	37¼	SchererRP			23	302	44⅛	43⅞	43⅞	-⅛
60¾	35½	SchrPl	1.16	2.2	19	10021	53¼	52½	52½	-⅞
70⅜	50⅛	Schlmb	1.50	2.2	25	8087	67⅜	66⅜	67	+⅛
29	11⅛	SchwabC	0.16	0.8	21	7139	21⅞	19⅝	21	+1⅛
25¾	20⅜	SchwMaud				1434	25¼	24⅞	25	-⅝
[illegible]										

AMEX COMPOSITE PRICES

4 pm close January 17

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close January 17

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

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AMERICA

US steady in spite of warnings on earnings

Wall Street

US share prices surprised analysts yesterday by holding steady in spite of a poor earnings report from Intel and warnings about weak profits *from two bellwether companies, writes Lisa Bransten in New York.*

Near 1 pm the Dow Jones Industrial Average was 7.95 higher at 5,095.81. The Standard & Poor's 500 added 1.10 at 609.54, while the American Stock Exchange composite lost 1.07 at 532.98. NYSE volume was 276m shares.

Shares received a boost in the early afternoon from gains in the bond market, which rose after the Federal Reserve's "Beige Book" indicated that the economy was growing slowly, with manufacturing weakness in some sectors.

Meanwhile, the technology-rich Nasdaq composite, which was expected to suffer the most, added 7.14 at 1,003.01 in extremely volatile trading. The index began the day with a 10-point loss in the wake of the disappointing fourth-quarter earnings from Intel, the world's largest semiconductor company and the second-largest company on the Nasdaq.

Intel shares fell $3⅝ or 7 per cent to $51⅛, also hurt by a wave of rating downgrades from US broking houses.

Intuit, the financial software maker, tumbled $6⅝ or 11 per cent to $54⅞ after an analyst lowered his rating on the company to hold.

Elsewhere in the technology sector, companies managed modest gains after posting sharp losses over the past several weeks. Sun Microsystems, which reported stronger than expected earnings late on Tuesday, added $3⅛ or 7 per cent at $45. Microsoft edged up $⅝ to $87. Adobe Systems was $⅝ dearer at $36⅞ and Oracle Systems put on $1⅝ at $43⅝.

The Dow fell nearly 20 points in early trading only to retrace most of its loss. Early fears were sparked by profits warnings from both Wal-Mart, the world's largest retailer, and Minnesota Mining and Manufacturing, an industrial conglomerate that is a component of the Dow.

Wal-Mart shares dropped to a new 52-week low with a loss of $2⅛ or 9 per cent at $20⅝ as weakness in the retail sector caught up with the company, and 3M weakened $3¼ or 5 per cent to $64.

But not all of yesterday's corporate news was bad. Investors were cheered by USAir's announcement that it had picked Mr Stephen Wolf to become chairman and chief executive. Shares of the carrier jumped $2⅜ or 19 per cent to $14⅝ on news that the former head of United Airlines, who is known for his tough stance with unions, would take the reins.

Canada

Toronto was flat in midday trade, with the disappointing results from Intel making for subdued trade. The TSE 300 Composite index was 0.51 easier by noon at 4,765.46 in volume of 39.5m shares.

Hummingbird Communications rose C$6¼ to C$48¼ after positive first-quarter results.

Mark Resources, at the centre of a takeover tussle, was heavily traded but the shares were unchanged at C$7⅛.

SOUTH AFRICA

Johannesburg's gold shares retraced most of a busy day's gains, in spite of active overseas buying, on worries that the bullion price would not breach the $400 level. Industrial shares were also higher before profit-taking pared some of the rise. The overall index climbed 42.7 to another record of 6,837.1, industrials added 19.3 at 8,607.9 and golds put on 13.5 at 1,623.3.

Mexico, Brazil little changed

Mexico City was mixed in midsession trading as investors *reflected on the lower than expected* rise in interest rates at the *Cetes* auction which was held after the close of trade on Tuesday.

By noon the IPC index was up 5.34 at 2,926.59. The stock market had initially been lifted by strength in Telmex ADRs.

SAO PAULO moved lower as a consolidation phase continued after the market's 13 per cent gain since the beginning of the year. By mid-*session the Bovespa index had retreated* 371.60 to 48,096.

Analysts said that attention was likely to be focused on congressional panels which were scheduled to begin discussions on the pension reform project and a proposal to create a 0.25 per cent tax on financial transactions to increase the health budget in 1996.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Jan. 12 1995	% Change over week	% Change on Dec '95	Local currency terms Jan. 12 1995	% Change over week	% Change on Dec '95
Latin America	(248)	497.84	-0.2	+5.5			
Argentina	(31)	845.69	-2.3	+5.6	518,660.58	-2.3	+5.5
Brazil	(68)	332.32	+1.7	+8.9	1,209.43	+1.8	+8.9
Chile	(43)	757.70	-0.2	+1.2	1,231.09	-0.4	+0.9
Colombia[1]	(15)	590.87	-3.4	-1.2	1,053.60	-2.6	+0.4
Mexico	(65)	493.51	-1.2	+8.9	1,589.67	-2.5	+5.6
Peru[2]	(21)	206.03	-1.1	+4.5	296.43	-0.5	+6.7
Venezuela[3]	(5)	287.34	-9.0	-11.1	2,541.73	-4.0	-2.6
Asia	(631)	241.97	+1.6	+4.2			
China[4]	(23)	59.11	-1.9	+9.3	62.11	-1.9	+9.3
South Korea[5]	(145)	122.30	+1.8	-2.9	127.09	+2.1	-1.0
Philippines	(35)	275.95	+1.6	+6.3	349.80	+1.6	+6.4
Taiwan, China[6]	(83)	108.30	+3.3	-4.0	111.32	+3.5	-3.7
India[7]	(76)	76.84	-1.9	-4.4	97.49	-1.1	-2.9
Indonesia[8]	(44)	117.20	+2.3	+6.9	145.96	+2.4	+7.1
Malaysia	(123)	290.71	+1.9	+7.2	274.94	+2.4	+8.2
Pakistan[9]	(25)	241.40	+1.7	-0.5	375.11	+1.7	-0.5
Sri Lanka[10]	(5)	107.59	+4.2	+3.4	125.49	+4.1	+3.8
Thailand	(72)	403.98	+0.1	+7.5	405.42	+0.2	+7.8
Euro/Mid East	(238)	152.74	+4.5	+7.8			
Greece	(47)	243.18	+1.4	+0.7	389.33	+1.4	+0.6
Hungary[11]	(8)	115.67	-1.6	+17.5	190.52	-1.3	+17.7
Jordan	(8)	182.63	+0.5	-1.1	272.56	+0.5	-1.1
Poland[12]	(22)	491.67	+8.3	+15.3	771.90	+8.9	+16.6
Portugal	(26)	121.41	+2.6	+4.9	124.72	+2.5	+4.9
South Africa[13]	(63)	281.65	+3.2	+9.1	211.29	+3.3	+8.8
Turkey[14]	(54)	130.62	+17.4	+25.2	3,705.88	+19.5	+24.0
Zimbabwe[15]	(5)	285.71	+3.9	+4.0	392.98	+4.3	+4.2
Composite	(1117)	290.66	+1.7	+5.4			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1993; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 2 1993; (15)July 2 1993.

Legal & General, the UK life assurance group, has raised its exposure to the Pacific Basin, making it 20 per cent overweight in equities in the region compared with *competitor international funds, writes Michael Morgan.*

Just as the financier Mr George Soros turned positive on Japanese equities, L&G has taken profits in Tokyo. Those funds have been transferred to the Pacific Basin, taking L&G's weighting to 30 per cent, compared with an average of about 25 per cent for other international funds. The region's markets, excluding Japan, raced ahead of the rest of the world in the early 1990s, but have underperformed by about 30 per cent in sterling terms since the peak in December 1993.

Mr David Shaw, strategy director at L&G Investment Management, argues that short-term interest rates – to which the region is highly sensitive – have peaked.

He says that the corporate earnings cycle is expected to resume an upward swing as real GDP growth and earnings per share accelerate in 1996, relative to the corporate earnings cycle within the OECD.

With the exception of South Korea, the Pacific Basin markets are now offering improved value, with current p/e ratios some 19 per cent below their 1990s peaks.

Mr Shaw concludes that the markets will be rekindled if US mutual funds restart their investment programmes. Monthly net inflows of $500m or more would propel the region's equity markets higher, but Mr Shaw is not expecting a rerun of the 1993 bull market, and a *20 per cent capital gain would probably see L&G taking profits.*

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY JANUARY 16 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JANUARY 15 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	192.36	0.6	185.36	128.52	145.76	172.04	0.7	3.88	190.95	183.16	126.98	143.61	170.91	196.40	157.95	165.40
Austria (26)	183.99	0.1	177.28	122.92	139.43	139.25	0.9	1.55	183.75	176.26	122.19	138.19	138.02	198.26	167.48	180.26
Belgium (34)	213.44	0.1	205.65	142.58	161.74	157.75	0.9	3.32	213.30	204.60	141.84	160.41	156.38	216.22	165.86	168.23
Brazil (28)	153.89	-0.3	148.28	102.80	116.61	275.36	-0.3	1.60	154.33	148.03	102.62	116.06	276.17	160.23	86.06	151.36
Canada (101)	149.21	0.2	143.76	99.68	113.07	147.64	0.4	2.53	148.94	142.87	99.04	112.01	147.06	153.19	121.81	127.25
Denmark (33)	302.74	1.1	291.70	202.24	229.41	231.84	1.9	1.41	299.33	287.12	199.05	225.11	227.72	302.74	248.19	253.73
Finland (24)	175.94	-0.2	169.53	117.54	133.33	163.11	0.7	1.95	176.32	169.13	117.25	132.60	161.98	276.11	171.13	191.86
France (99)	184.12	0.6	177.41	123.00	139.52	143.93	1.3	3.03	182.95	175.49	121.66	137.59	142.04	191.17	157.79	164.32
Germany (60)	168.77	-0.1	162.61	112.75	127.89	127.89	0.7	1.67	168.95	162.06	112.35	127.06	127.06	169.49	139.77	143.37
Hong Kong (59)	416.27	0.3	401.09	278.09	315.44	413.23	0.3	3.47	414.92	398.00	275.91	312.05	411.86	416.27	277.40	298.65
Ireland (16)	260.29	0.0	250.80	173.89	197.24	230.36	0.5	3.39	260.32	249.71	173.11	195.78	229.18	262.70	204.97	210.24
Italy (59)	72.95	1.4	70.28	48.73	55.28	85.98	1.7	1.70	71.90	68.97	47.82	54.08	84.53	82.71	65.45	80.80
Japan (482)	153.36	0.3	147.77	102.45	116.22	102.45	0.8	0.74	152.92	146.69	101.69	115.01	101.69	164.82	136.96	154.56
Malaysia (108)	524.74	-0.3	505.60	350.55	397.64	517.97	-0.3	1.61	526.32	504.86	349.99	395.83	519.32	581.96	398.16	440.85
Mexico (18)	1137.83	0.8	1096.33	760.12	862.23	9370.76	1.0	1.48	1129.39	1083.34	751.02	849.37	9279.62	1241.57	647.81	1241.57
Netherland (19)	274.96	-0.1	264.93	183.68	208.36	204.84	0.7	3.19	275.31	264.09	183.08	207.05	203.51	280.49	217.69	219.39
New Zealand (14)	78.52	-0.3	75.66	52.45	59.50	62.93	-0.4	4.61	78.76	75.55	52.38	59.23	63.20	85.48	71.10	71.10
Norway (33)	232.05	-0.7	223.58	155.02	175.84	201.20	0.0	2.08	233.68	224.10	155.36	175.70	201.22	243.79	202.76	208.50
Singapore (44)	428.56	-0.3	412.95	286.31	324.77	281.54	-0.1	1.43	429.79	412.27	285.80	323.23	281.70	429.79	313.94	348.73
South Africa (45)	425.64	1.5	410.11	284.35	322.54	338.71	1.7	3.49	419.32	402.23	278.84	315.36	333.08	425.64	281.09	309.67
Spain (37)	166.41	-0.2	160.34	111.17	126.11	154.67	0.6	3.96	166.70	159.90	110.85	125.37	153.73	168.91	124.10	126.58
Sweden (47)	309.44	0.2	298.15	206.72	234.49	303.52	0.8	1.88	308.66	296.10	205.27	232.15	301.21	324.31	232.23	238.37
Switzerland (40)	229.15	-0.2	220.79	153.08	173.64	166.60	0.6	1.59	229.56	220.20	152.65	172.64	165.88	239.55	162.35	165.66
Thailand (46)	184.70	-0.4	177.96	123.39	139.96	181.18	-0.3	2.25	185.37	177.81	123.27	139.41	181.73	195.37	130.15	138.90
United Kingdom (206)	229.50	0.8	221.22	153.38	173.98	221.22	1.2	4.20	227.87	218.58	151.53	171.38	218.58	232.23	191.53	196.03
USA (633)	247.48	1.4	238.45	165.33	187.54	247.46	1.4	2.28	244.17	234.22	162.37	183.63	244.17	253.50	190.22	192.24
Americas (780)	226.14	1.3	217.89	151.07	171.37	190.06	1.3	2.28	223.25	214.15	148.46	167.90	187.82	231.18	175.22	177.46
Europe (733)	201.65	0.4	194.29	134.71	152.81	172.76	1.0	3.04	200.87	192.68	133.58	151.07	171.06	204.32	167.28	170.45
Nordic (137)	274.70	0.2	264.68	183.51	208.16	234.25	0.9	1.88	274.02	262.85	182.22	206.08	232.22	295.02	222.22	230.35
Pacific Basin (834)	165.45	0.3	159.41	110.53	125.37	113.78	0.7	1.17	165.00	158.27	109.72	124.08	113.06	171.87	145.93	160.65
Euro-Pacific (1567)	180.42	0.3	173.84	120.53	136.72	136.22	0.8	2.04	179.84	172.51	119.60	135.25	135.12	183.39	154.73	164.64
North America (734)	241.39	1.3	232.58	161.26	182.92	240.76	1.3	2.29	238.26	228.54	158.44	179.18	237.62	246.93	186.14	188.21
Europe Ex. UK (527)	181.95	0.2	175.32	121.55	137.88	145.91	0.8	2.39	181.62	174.22	120.78	136.59	144.64	184.61	149.99	152.93
Pacific Ex. Japan (352)	278.63	0.2	268.56	186.27	211.30	246.27	0.2	3.00	278.27	266.92	185.04	209.28	245.74	278.83	211.19	222.56
World Ex. US (1759)	181.95	0.3	175.31	121.55	137.88	140.33	0.6	2.06	181.32	173.93	120.58	136.37	139.20	184.71	155.42	165.27
World Ex. UK (2186)	199.02	0.6	191.77	132.96	150.82	168.31	1.0	1.96	197.52	189.47	131.35	148.55	164.69	202.03	163.46	170.80
World Ex. Japan (1910)	228.97	0.9	220.62	152.96	173.51	214.96	1.1	2.61	226.91	217.66	150.89	170.65	212.57	232.30	181.80	184.66
The World Index (2392)	201.71	0.8	194.36	134.75	152.86	171.20	1.0	2.17	200.19	192.03	133.13	150.56	169.44	204.65	165.92	173.11

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Latest prices were unavailable for this edition.

EUROPE

Bourses respond to interest rate hopes

There was early enthusiasm in **FRANKFURT**, where a higher dollar and a repo rate cut took the Dax index close to 2,400. It peaked at a new all-time, intraday high of 2,398.15.

After that, there was profit-taking in both equities and bunds. Ms Barbara Altmann of B Metzler noted that the March bund future had come back by 56 basis points from a high of 101.25. The key index closed 3.80 lower at an Ibis-indicated 2,375.63, but traders were not concerned, pointing to turnover up from DM11.4bn to DM12.3bn.

Among the weakest blue chips, Karstadt fell DM20.50 or 3.3 per cent after flat sales in *1995; among the strongest,* Merck, the pharmaceuticals group, rose DM1.20 to DM6.20. Merck was named as a new entrant to the Dax 100 index, along with Adidas, Schwarz Pharma and SGL Carbon, up 65 pfgs to DM83, DM2 to DM68 and *DM1.50 to DM118* respectively. Among the drop-outs, Barmag fell DM4 to DM190 and Felten & Guilleaume by DM14 to DM220.

PARIS showed no sign of slowing down, most investors becoming convinced that the Bank of France would cut domestic interest rates today.

The CAC-40 index moved forward 13.90 to 1,966.00 as turnover improved to FFr5.5bn.

There were losers: Axa fell FFr8.60 to FFr318.50 after announcing a FFr5.9bn, one-for-seven rights issue late on Tuesday. The issue was priced *at FFr250 per share, with the* subscription period running from January 26 to February 8. A restructuring measure, which was announced at the same time, would mean that Generali, of Italy, would take an 11 per cent stake in the French company.

Rémy Cointreau shed FFr2.60 more at FFr147.50, as investors took another look at Tuesday's disappointing results and speculation mounted that the group's independence *could be threatened* because of financial problems.

AMSTERDAM moved nervously during the session before closing slightly higher, up 0.44 at 505.00.

Following Tuesday's lower than expected profits from Intel of the US there was some activity in Philips, which lost 60 cents to Fl 82.90. Some dealers said, however, that the Dutch company was too broadly organised to fit into the high-technology sector.

The group announced yesterday that it was dismantling its communications systems division following the sale last month of its radio infrastructure and public communications activities to AT & T of the US. Philips said that there would be no redundancies, with the 8,500 staff transferred to other operations.

Unilever made Fl 1.40 to Fl 231.70 as it announced that it was taking a majority stake *in the Hong Kong-based Weiss* group of companies. This would enable it to strengthen its industrial detergents activities in China, it said.

Royal Dutch rose 70 cents to Fl 221.90 helped by overnight strength on Wall Street, while Fokker dropped 50 cents or 5.5 per cent to Fl 8.60 on further doubts about a possible rescue package being discussed by parent group Daimler of Germany and the Dutch government.

ZURICH came under renewed pressure from profit-taking in the heavily weighted index stocks, and the SMI index fell 35.5 to 3,219.3.

Roche certificates finished Fr170 lower at SFr8,770, but up from a trough of SFr8,665, as its 1995 sales figures came in at the lower end of expectations, and after Société Générale downgraded the stock after its very strong performance during 1995. Sandoz, scheduled to report 1995 sales figures today, picked up SFr6 to SFr1,005.

UBS, strong on Tuesday, fell SFr20 or 1.5 per cent to SFr1,324, and pulled other banks down with it.

A firmer dollar helped Surveillance up SFr50 to SFr2,380.

MILAN edged ahead in short covering and position squaring ahead of the new February account. The Comit index picked up 6.68 to 587.62 while the real time Mibtel index turned back from a high of 9,401 to finish 20 ahead at 9,344.

Olivetti remained under pressure for the fourth consecutive day as domestic and foreign analysts adjusted their 1995 and 1996 forecasts downwards. The shares lost L39 to L1,027, taking their four session slide to 13.7 per cent.

Lingering hopes of an interest rate cut helped insurers and heavily indebted telecommunications stocks. Generali rose L405 to L39,240 and Tim was L71 higher at L2,727.

STOCKHOLM lifted Autoliv by SKr8 to SKr349 on news that the US Supreme Court had upheld a case against Ford Motor, and drug stocks rose with Astra A recovering SKr3 to SKr256, and Pharmacia & Upjohn rising another SKr8 to SKr259 on Aids treatment hopes. But a 2.5 per cent drop in forestries, and weakness in other cyclicals left the Affärsvärlden General index 6.8 lower at 1,713.0.

DUBLIN was higher on strong demand for financials and the ISEQ general index picked up 13.57 to 2,312.22.

Heavy foreign buying drove AIB 9p higher to 365p, Bank of Ireland 4p ahead to 465p and Irish Life 3p firmer at 255p.

Smurfit, a sharp underperformer last year, picked up 1p to 63p on overseas buying after presentations to investors by the chairman.

Written and edited by William Cochrane, Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Jan 17 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1526.56	1525.71	1525.76	1522.94	1522.58	1522.01	1525.24	1525.34
FT-SE Eurotrack 200	1621.71	1620.47	1620.51	1618.37	1618.27	1617.37	1620.10	1618.45

	Jan 16	Jan 15	Jan 12	Jan 11	Jan 10
FT-SE Eurotrack 100	1522.85	1510.88	1514.02	1504.40	1510.99
FT-SE Eurotrack 200	1617.53	1602.69	1602.63	1584.49	1592.67

Base 1000 (26/10/90); Highday: 100 - 1527.43; 200 - 1622.60 Lowday: 100 - 1521.00 200 - 1617.10 † Partial

ASIA PACIFIC

Bribery scandal leaves Bombay 1.7% down

News of an $18m bribery scandal, which rocked the Indian political arena, left *BOMBAY 1.7 per cent lower,* as speculators went short, pushing prices down. The BSE-30 index lost 52.57 at 2,962.91.

Federal police charged seven political leaders, including six former cabinet ministers, in connection with the scandal. They also sought authority to prosecute three members of the present cabinet.

Among market leaders, Reliance fell Rs8.95 to Rs177.30 and State Bank of India dropped Rs11.65 to Rs185.35.

Tokyo

Tokyo gave up earlier gains to end flat, with follow-through buying failing to emerge in spite of a stronger dollar and Wall Street's late overnight advance, *Reuter reports.*

The Nikkei 225 average ended 3.19 higher at 20,570.26 after climbing to 20,754.34, an intra-day high for this year. The day's low was 20,569.76, reflecting large selling orders from domestic institutional investors.

The dollar advanced further, above Y106, and volume rose from 418m to 554m shares. There were 553 gainers, 500 losers and 170 issues unchanged. The Topix index of all first sec*tion stocks added* 1.93 at 1,605.01 and the Nikkei 300 put on 0.16 at 300.89.

In London the ISE/Nikkei 50 index rose 1.93 to 1,418.94.

Brokers said a sharp decline in speculative issues depressed sentiment in the afternoon. Blue chips had their winners, with Sharp, the most active, up Y50 at Y1,690.

Toshiba, next in line, firmed Y6 to Y831, while Sony advanced Y80 to Y6,630 and Kyocera Y110 to Y7,440.

Hopes that carmakers would revise their earnings forecasts upwards lifted Toyota Y30 to Y2,290, and Nissan Y24 to Y856.

Among speculative issues, Nitto Chemical fell Y210 to Y1,290, Topcon Y90 to Y1,550, Shinagawa Fuel Y80 to Y1,260 and Kitagawa Iron Y56 to Y858. *But Nikkodo ended bid-only at* Y1,000, up Y100, after a Nihon Keizai Shimbun report about a tie-up with Microsoft, origi*nally announced last October.*

Roundup

Solid early gains were eroded in HONG KONG, leaving the market to close lower on renewed profit-taking. The Hang Seng index slid 77.33 to 10,593.82, after an early high of 10,745.21, in turnover that dipped to HK$6.2bn.

The market was subdued by news that China planned to clamp down on the distribution *of economic* news by foreign wire services to Chinese subscribers.

Talk of a Swire A share placement left the stock HK$1.25 lower at HK$63 and also dampened the mood.

SYDNEY made gains early on but late profit-taking eroded the advance and the All Ordinaries index finished 5.2 up at 2,250.3, off the day's high of 2,263.0. Turnover was A$589.14m in volume of 269.4m shares.

Brokers said a combination of higher bullion prices and news of further mergers within the golds sector pushed the golds index up 44.1 to 2,080.5.

Gwalia moved up 5 cents at A$2.41 after announcing that it was to merge with Burmine as well as buying Gasgoyne. Bur*mine rose 69 cents to* A$3.90, while Gasgoyne was 19 cents higher at A$2.60.

SINGAPORE was weak in spite of light foreign institutional buying of banks and some blue chips. The Straits Times Industrial index closed 7.77 lower at 2,390.06 as most of its components gave up early gains, with the largest fall seen in the food and drink group Fraser & Neave, which dipped 20 cents to S$19.10.

KUALA LUMPUR rebounded but closed off the day's highs as investors became cautious and locked in earlier profits.

The composite index ended 2.69 ahead at 1,072.35, after hitting a six-month high of 1,077.27 in the morning.

Second board stocks picked up after two days of losses as rumours died down that several broking houses were imposing buying restrictions.

SEOUL was weak with thin, depressed trading in the continued absence of widely expected steps by the government to boost the market. The composite index closed 11.21 lower at 857.06.

The banking sector was the only one to gain on continuing rumours that Bank of America planned to sell its stake in KorAm Bank to Samsung Group. KorAm moved ahead Won500 to Won10,300.

MANILA dropped at the close on profit-taking in blue chips, reversing a 15-point gain seen in early trade.

The composite index finished 27.98 down on balance at 2,748.77.

WELLINGTON fell back after the publication of CPI data for the fourth quarter, which showed a 0.6 per cent increase. The NZSE-40 Capital index shed 20.33 to 2,080.63.

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